ITAÚSA

Complete Financial Statements

December 31, 2016

MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa - Investimentos Itaú S.A. (Itaúsa) and its subsidiaries for the period from January to December 2016, prepared in accordance with the standards established by the Accounting Pronouncements 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 BDO RCS Auditores Independentes S/S (BDO) as independent auditors in attendance to the statutory requirements, including the Brazilian Securities and Exchange Commission policy, and have received an unqualified opinion from the external auditor. The financial statements were approved by the Fiscal Council. In compliance with the Corporate Governance practices adopted by the Conglomerate, these financial statements were also reviewed by PricewaterhouseCoopers Auditores Independentes (PwC) as independent auditors of Itaú Unibanco Holding S.A, the main investment held by Itaúsa.

The financial statements were made available to the CVM and to BM&FBovespa.

1) ECONOMIC ENVIRONMENT

In the second half of 2016, developed countries showed signs of improved economic growth, which remains at a moderate pace.

In the United States, GDP grew 1.9% in the 4Q16 from the same period of 2015. Unemployment rate was 4.7% on average in the 4Q16, below the 5.0% recorded in the same period of 2015.

In the Eurozone, GDP grew 1.8% in the 4Q16 from the same period of the previous year. Employment levels continue to improve in Europe, with the unemployment rate falling to 9.6% in December 2016, from 10.5% in the same period of the previous year. In the United Kingdom, GDP posted a 2.2% increase in the 4Q16 from the same period of the previous year. Unemployment rate fell to 4.9% in November 2016, from 5.2% at the end of 2015. However, the perspective on the United Kingdom's exit from the European Union, whose process should start in March 2017, represents a risk of economy downturn in the coming future, particularly to the United Kingdom.

The perspective of growth in emerging countries continues to be favorable. China's GDP grew 6.8% in the year-to-year comparison in the 4Q16, practically stable since early 2016. The prices of metal and energy commodities raised in the 4Q16, with demand higher than expected and fall in supply.

The Brazilian GDP decreased 0.8% in the third quarter of 2016 from the previous quarter (with seasonal adjustment). When compared to the same quarter of the previous year, the fall was 2.9%. Preliminary indicators suggest a new slowdown in the fourth quarter of 2016. This lower activity level has impacted the labor market. Unemployment increased to 12.0% in the last quarter of 2016, from 9.0% in the same period of the previous year, as measured by the Continuous Pnad (Continuous National Household Sample Survey).

Industry has shown signs of stability in the last months. In December 2016, the industrial production was down 0.1% from December 2015. The cyclical turnover adjustment is expected to boost the modest recovery of the industry in the time ahead.

In December 2016, the annual change in the financial system credit balance was negative by 9.2% in actual terms, against a 3.6% decrease in the previous year. Loans in 2016 fell 15.6% in actual terms, against a 11.2% decrease in 2015. Default rate for loans to individuals decreased 20 bps in the last 12 months to 4.0% in December 2016. The default rate for loans to companies reached 3.5% in December 2016 (2.6% in December 2015).

Inflation measured by IPCA closed 2016 at 6.3%, well below the 10.7% recorded in 2015 and within the tolerance range for the inflation target determined by the Central Bank of Brazil. Analysis of broken-down figures shows that regulated prices raised 5.5% in the period (from 18.1% in 2015), whereas free prices raised 6.6% (from 8.5% in 2015).

Current inflation in a clearer downward trend and the economic activity below expectations have allowed a more flexible monetary policy. At the meeting held in January 2017, the Central Bank of Brazil reduced the basic interest rate by 75 bps. Deficit in external accounts fell to 1.3% of GDP in 2016 from 3.3% of GDP in 2015.

2) ITAÚSA HIGHLIGHTS

ITAÚSA

Sustainability

For the 13th year, Itaúsa was selected to make up the portfolio of the Dow Jones Sustainability World Index (DJSI), the main corporate sustainability ranking in the world. In its 2016/2017 edition, the portfolio is made up by 316 companies from 28 countries, of which only seven are Brazilian companies - among which Itaúsa and Itaú Unibanco Holding S.A.

Itaúsa achieved the highest score in the banking sector in the following categories:

- Anticrime policy/ actions;
- Financial stability and systemic risk;
- Business risks and opportunities; and
- Financial inclusion.

In addition, Itaúsa and Itaú Unibanco were once again selected to make up the portfolio of the Dow Jones Sustainability Emerging Markets Index.

For the tenth year, Itaúsa was chosen to make up the portfolio of the BM&FBOVESPA Corporate Sustainability Index (ISE). Itaú Unibanco and Duratex are also featured on this distinguished list of companies. The new portfolio comprises 38 shares of 34 companies, representing 15 sectors totaling R$1.31 trillion in market value, and accounting for 52.14% of the total market value of companies with shares traded on BM&FBovespa (on November 22, 2016). This new portfolio became effective on January 2, 2017.

Corporate Events and Return to Stockholders

Like the last three years, the General Stockholders' Meeting of April 29, 2016 approved a 10% share bonus, with capitalization of revenue reserves, in the amount of R$4,080 million. These bonus shares aim to increase the liquidity of shares as a result of the adjustment of their market prices, since trading at a more accessible level, together with a larger number of outstanding shares, will potentially generate more business and higher financial volume, thus leading to more value added to Stockholders. Taking into account that quarterly dividends remained at R$0.015 per share, the amounts paid every quarter to Stockholders were increased by 10% after including these new shares into their stockholding position.

The cost attributed to bonus shares was R$6.04028937 per share, impacting the average price of the stockholders' portfolio. These new shares were credited on May 5, 2016.

That same Meeting also decided to cancel 4,155,240 book-entry shares of own issue held in treasury, of which 2,155,240 are common and 2,000,000 are preferred shares, by the absorption of R$33.1 million. The purchase of shares of own issue, with its subsequent cancellation, increases the stockholders' interest ownership in the Company's capital stock and, if the financial result and the profit distribution percentage remain unchanged, provides a higher return on dividends and interest on capital to stockholders.

Held on February 13, 2017, the Board of Directors meeting resolved to:

IOE mandatory and additional of 2016:

- To declare additional IOE to the mandatory minimum of 2016 of R$0.16780, with base date February 20, 2017, as follows:

  (i) the first installment will be paid on 03.03.2017 in the amount of R$0.04900 per share (net of R$0.04165 per share); and

  (ii) the second installment will be paid on 04.06.2017 in the amount of R$0.11880 per share (net of R$0.10098 per share).

- To pay on 03.03.2017, in single installment, the interest on equity of R$0.2760 per share (net of R$0.23460 per share) declared on December 19, 2016, on the basis of the final shareholding position on December 22, 2016.
- The payment in advance and in a single installment of the mandatory IOE is justified by the fact that the second installment of the additional IOE hereby declared is sufficient for the payment of the shares that will be subscribed in the capital call mentioned below.

Capital Call

- Increase the subscribed paid-up capital from R$36,405 million to R$37,145 million, by issuing 121,311,478 new book-entry shares, with no par value, of which 46,341,899 are common and 74,969,579 are preferred shares, for private subscription within the limits of authorized capital:

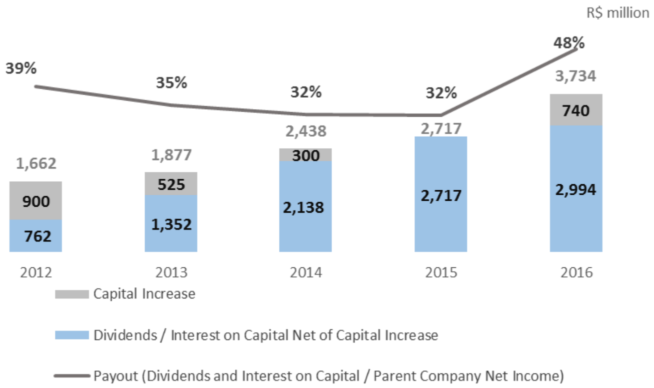
(i) subscription price: R$6.10 per common or preferred share, according to the average weighted price of preferred shares on BM&FBOVESPA S.A. in the period from 10.14.2016 to 02.10.2017, adjusted by a negative goodwill of 30%; and

(ii) Preemptive right: Shareholders may subscribe the shares in the period 03.02.2017 to 03.31.2017, in the proportion of 1.6386161% on the shares of the same type that they hold in the final shareholding position of February 20, 2017.

Share Buyback Program / Cancellation of Company Shares:

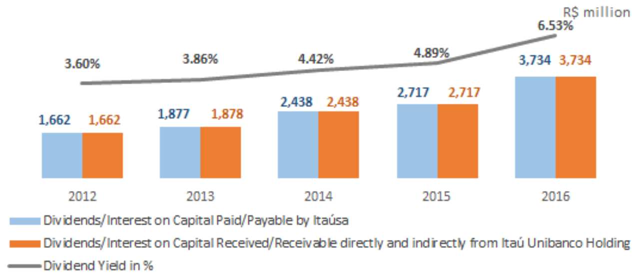
- Cancel the 26,819,000 book-entry common shares issued by the treasury, by absorbing R$204.1 million recorded in the profit reserves; and
- Renew the authorization to acquire, within a period of 18 months and at the market price, up to 80,000,000 common shares and an equal number of preferred shares own issued for treasury.

In view of the income earned in the fiscal year 2016, return to stockholders will total R$3,734 million in dividends/ interest on capital, net of taxes. This amount represents a 37.4% increase from the fiscal year 2015. Payout (dividends and interest on equity / parent company's net income, excluding the legal reserve of 5%) for 2016 was 48%, a 16 bps increase from 2015. Note on the total volume of dividends / IOE for the financial year 2016, net of capital call, represents a growth of 10.2% over the net value for the year 2015.



At the end of December 31, 2016, the return[(a)] on investment in dividends/ interest on equity (dividend yield) to stockholders at the average price for the year of the preferred shares (ITSA4), net of taxes, was 6.53%.

(a) Dividends/ Interest on capital per share related to base year (x) – adjusted by bonus in shares, share split and reverse split. Average Price of Preferred Shares in year(x) – adjusted by earnings, except dividends. Accural basis.



We should register that Itaúsa's Stockholders, who are also account holders of Itaú in Brazil and hold book-entry shares, may automatically invest dividends to purchase shares by way of the Dividend Reinvestment Program (DRP). To join the DRP, please access Itaú Bankline (www.itau.com.br) or call us on (xx11) 3003-9285 if you are in Capital Cities and Metropolitan Regions or 0800-720-985 for Other Locations in Brazil.

Public Meeting - APIMEC

On November 17, 2016, Itaúsa held the 16th annual public meeting with investors, analysts and the market, in partnership with Apimec, the Association of Investment Analysts and Professionals of the Capital Markets, to disclose the Conglomerate's results. This event, held at Hotel Unique in the city of São Paulo – SP, was attended by approximately 260 participants and also broadcasted live on the Internet.

Portfolio Review

Itaúsa is a company whose purpose is to participate in the capital of other companies and is continuously analyzing new investments and evaluating potential operations that add value to its shareholders. For the accomplishment of studies that help in the definition of possible sectors of interest and support in the decision making of investment, Itaúsa contracted a renowned strategic consulting.

In this context, Itaúsa reported:

- On November 01, 2016, together with Brasil Warrant Administração de Bens e Empresas S.A. and Cambuhy Investimentos Ltda., formally entered into the competitive process of acquisition of interest in Petrobras Distribuidora S.A. ("BR Distribuidora"). To date, there has been no offer or conclusion of a contract with Petrobras regarding the acquisition of interest in BR Distribuidora.

- On December 27, 2016, its subsidiary Elekeiroz announced that in the preparation of its financial statements for the year 2016, a reduction in the book value of certain assets (impairment) and other accounting adjustments would be made. This recognition impacted negatively individuals Itaúsa's net income and shareholders' equity for the last quarter of 2016 at R$267 million.

3) ITAÚSA ECONOMIC PERFORMANCE

MAIN INDICATORS OF ITAÚSA'S INDIVIDUAL RESULTS

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries.

Below we present Itaúsa's share of income and result, considering recurring events only (non-recurring events are detailed on page 7).

R$ million

Recurring Share of Individual Income by Area	01/01 to 12/31/2016	%	01/01 to 12/31/2015	%	Change (%)
Financial Services Area	**8,754**	**100.9%**	**8,482**	**99.8%**	**3.2%**
Industrial Area	**(80)**	**-0.9%**	**16**	**0.2%**	**-600.0%**
Duratex	(4)	0.0%	76	0.9%	-105.3%
Elekeiroz	(49)	-0.6%	(29)	-0.3%	69.0%
Itautec	(27)	-0.3%	(31)	-0.4%	-12.9%
Others	**4**	**0.0%**	**-**	**0.0%**	**na**
Recurring share of individual income	**8,678**	**100.0%**	**8,498**	**100.0%**	**2.1%**
Results of Itaúsa - net of taxes	**(35)**		**(82)**		
General Administrative Expenses	(43)		(40)		
Financial Income / Expenses	67		98		
Tax Expenses	(288)		(227)		
Other Operating Revenues	24		12		
Income Tax / Social Contribution	205		75		
Recurring Net Income	**8,643**		**8,416**		**2.7%**
Non-Recurring results	**(432)**		**452**		
Itaúsa	-		(142)		
Arising from stockholding interest in Itaú Unibanco	(170)		587		
Arising from stockholding interest in Duratex	13		(11)		
Arising from stockholding interest in Elekeiroz	(283)		18		
Arising from stockholding interest in Itautec	7		-		
Arising from stockholding interest in Itaúsa Empreendimentos	1		-		
Net Income	**8,211**		**8,868**		**-7.4%**

General and Administrative Expenses (G&A)

In 2016, general and administrative expenses totaled R$43 million, up 7.5% from 2015. In relation to Itaúsa's individual net income, general and administrative expenses accounted for 0.5%, remaining unchanged compared to 2015.

Financial Income/ Expenses

In 2016, Itaúsa recorded a positive net financial result of R$67 million.

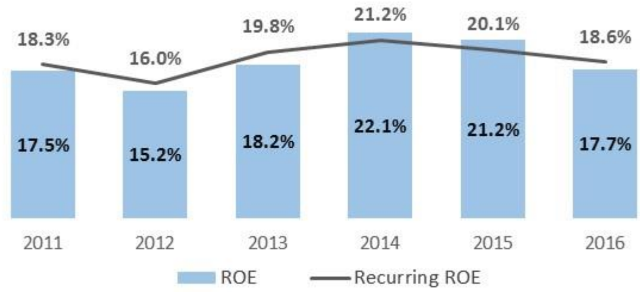
Tax Expenses

In 2016, tax expenses totaled R$288 million. These expenses are basically composed of PIS and COFINS levied on financial income and on income from interest on capital received from investees.

Net Income

Recurring net income for the period from January to December 2016 was R$8,643 million, a 2.7% increase from the previous year, with recurring return on average equity (ROAE) of 18.6%. Net income for the same period reached R$8,211 million, with return of 17.7%.

Return on Average Equity (ROAE)



Liquidity

Itaúsa has a solid liquidity position. Total cash and cash equivalents and financial assets held for trading reached R$976 million at the end of December 2016.

The Company's indebtedness[a] at December 31, 2016 was 6.2%, and out of the total liabilities of R$3.1 billion, R$2.0 billion referred to dividends and interest on capital payable.

(a) (current and non-current liabilities/ total assets) x 100

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R$ million

	Parent company		Non-controlling interests		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net income	8,211	8,868	5	126	8,216	8,994
Recurring net income	8,643	8,416	(9)	145	8,634	8,561
Stockholders' equity	47,729	44,847	2,950	3,024	50,679	47,871
Annualized return on average equity (%)	17.7%	21.2%	0.2%	4.1%	16.6%	20.0%
Annualized recurring return on average equity (%)	18.6%	20.1%	-0.3%	4.7%	17.5%	19.1%

MAIN FINANCIAL INDICATORS

R$ per share

Results per share - in R$	12/31/2016	12/31/2015	Change (%)
Net income of parent company	1.11	1.20	(7.4)
Recurring net income of parent company	1.17	1.13	2.7
Book value of parent company	6.45	6.04	6.8
Dividends/ interest on capital, net	0.50	0.37	38.0
Price of preferred share (PN) [1]	8.22	6.26	31.2
Market capitalization [2] - R$ million	60,855	46,539	30.8

(1) Calculated based on the average quotation of preferred shares on the last day of the period.

(2) Calculated based on the average quotation of preferred shares on the last day of the period (quotation of average PN multiplied by the number of outstanding shares at the end of the period).

Note: The number of outstanding shares and the quotation of the share w ere adjusted to reflect the 10% bonus declared out on April 29, 2016.

RECONCILIATION OF RECURRING NET INCOME

In order to allow the appropriate analysis of the financial statements for the period, we present the net income, with exclusion of the following main non-recurring effects, net of the respective tax effects:

R$ million

	Parent company		Non-controlling interests		Consolidated	
	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income	**8,211**	**8,868**	**5**	**126**	**8,216**	**8,994**
Inclusion/(Exclusion) of non-recurring effects D = (A + B + C)	**432**	**(452)**	**(14)**	**19**	**418**	**(433)**
Itaúsa (A)	**-**	**142**	**-**	**-**	**-**	**142**
Amortization of Goodwill	-	142	-	-	-	142
Arising from stockholding interest in Itaú Unibanco (B)	**170**	**(587)**	**-**	**-**	**170**	**(587)**
Change in Treasury Shares	76	477	-	-	76	477
Increase of the Social Contribution Rate	-	(1,465)	-	-	-	(1,465)
Provision for Contingencies	86	260	-	-	86	260
Other	8	141	-	-	8	141
Arising from stockholding interest in other Itaúsa group companies (C)	**262**	**(7)**	**(14)**	**19**	**248**	**12**
Duratex	(13)	11	(24)	20	(37)	31
Elekeiroz - Impairment and other accounting adjustments (1)	267	-	9	-	277	-
Elekeiroz - Other	16	(18)	1	(1)	17	(19)
Itautec	(7)	-	-	-	(7)	-
Itausa Empreendimentos	(1)	-	-	-	(1)	-
Recurring net income	**8,643**	**8,416**	**(9)**	**145**	**8,634**	**8,561**

(1) Details in item 5) Itausa's Subsidiary Companies - Elekeiroz - page 12

MAIN INDICATORS OF THE ITAÚSA CONGLOMERATE COMPANIES

R$ million

	January to December	Financial Services Area	Industrial Area			CONSOLIDATED ITAÚSA (2)
		Itaú Unibanco Holding	Duratex (1)	Elekeiroz	Itautec	
Total assets	**2016**	**1,353,241**	**9,341**	**434**	**136**	**59,020**
	2015	1,276,415	9,008	763	219	54,830
Operating revenues (3)	**2016**	**208,274**	**3,910**	**771**	**8**	**13,266**
	2015	173,428	3,963	894	28	13,942
Net income	**2016**	**23,263**	**26**	**(344)**	**(15)**	**8,216**
	2015	25,740	192	(11)	(19)	8,994
Stockholders' equity	**2016**	**122,582**	**4,571**	**111**	**56**	**50,679**
	2015	112,252	4,616	455	77	47,871
Annualized return on average equity (%) (4)	**2016**	**20.1%**	**0.6%**	**-93.0%**	**-23.5%**	**16.6%**
	2015	24.8%	4.1%	-2.4%	-21.1%	20.0%
Internal fund generation (5)	**2016**	**97,507**	**932**	**(24)**	**(13)**	**891**
	2015	56,881	919	31	1	974

(1) Net Income, Stockholders' equity and ROE of Duratex correspond to results of Consolidated Financial Statement.

(2) Itaúsa Consolidated includes: the consolidation of 100% of the subsidiaries and is net of consolidation elimination and unrealized results of intercompany transactions.
The amounts for Itaú Unibanco that were not consolidated and are now being accounted for under the equity method.

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

- Itaú Unibanco Holding: Interest and similar income, dividend income, net gain (loss) from investment securities and derivatives, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.
- Duratex, Itautec and Elekeiroz: Sales of products and services.
- Itaúsa Conglomerate: Sales of products and services and share income of associates and joint ventures.

(4) Represents the ratio of net income for the period and the average equity ((dec + sep + jun + mar + dec'15) / 5).

(5) Refers to funds arising from operations as reported by the statement of cash flows.

Note: Net Income, Stockholders' equity and ROE of Itaú Unibanco correspond to results attributable to controlling stockholders.

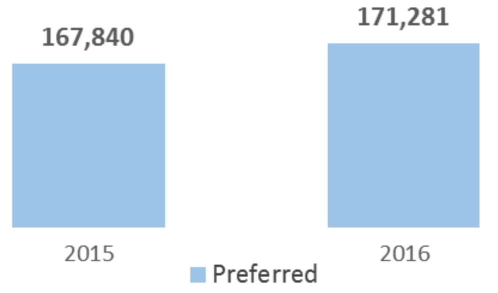
As from the second quarter of 2016, Itaú CorpBanca was consolidated in Itaú Unibanco financial statements.

4) CAPITAL MARKETS

Traded on the São Paulo Stock Exchange (BM&FBOVESPA), Itaúsa's preferred shares (ticker ITSA4) closed 2016 at R$8.28, a 32.4% increase from the end of the previous year, whereas the main index of that stock exchange, Ibovespa, posted a 38.9% increase.

The daily average financial volume of the preferred shares traded in 2016 was R$171.3 million, as compared to R$167.8 million in the previous year, with a total of 7,264 thousand traded in 2016 (7,325 thousand in 2015).

Daily average financial volume traded (R$000)



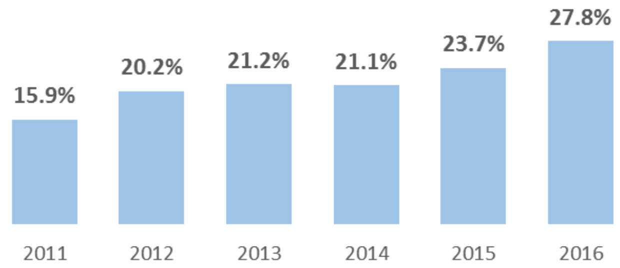
Itaúsa Discount

Discount is one of the indicators most frequently used by analysts, stockholders, and investors in capital markets to assess investments in Itaúsa, and it refers to the difference between the market value ascertained for Itaúsa and the theoretical market value obtained through the "sum of the parts" that compose it. The Investor Relations area discloses information on a monthly basis about the discount on the Company's website. To receive it, please register on www.itausa.com.br.

On December 29, 2016, Itaúsa's shares were traded at a 27.8% discount in relation to the market value of the sum of its interests in companies, as compared to 23.7% at the end of 2015.

At the end of the period, market capitalization, based on the price of the most liquid shares (ITSA4), was R$60,855 million, a 30.8% increase from the previous year, whereas the total market value of the sum of interests in subsidiaries reached R$84,317 million.

History of Itaúsa Discount



At December 31, 2016, the number of individual stockholders in Itaúsa was 51,717.

5) ITAÚSA'S SUBSIDIARY COMPANIES

Itaú Unibanco

Changes to Management – On November 9, 2016, Itaú Unibanco announced the succession of its current CEO, in conformity with the transition process planed and announced to the market over two years ago. Itaú Unibanco also announced a series of changes to its Executive Committee.

Until the next Stockholder's Meeting (on April 19, 2017), Roberto Setubal remains in the Company's CEO, and after that, together with Pedro Moreira Salles, Roberto will act as co-chairman of the Board of Directors. Subsequently, it will be proposed the election of Candido Bracher as CEO of Itaú Unibanco Holding.

10% Share Bonus of Itaú Unibanco - For the fourth consecutive year, Itaú Unibanco granted stockholders a 10% bonus in shares. If we considered only the share bonus for the last four years, in view of the monthly dividend kept at R$0.015 per share, there was an increase of 46% in the amounts monthly received by Itaúsa.

Subsequent Event - The Board of Directors of Itaú Unibanco, meeting on February 06, 2017, changed the practice of payment of dividends and interest on shareholders' equity ("IOE") of the Company, which will be between 35% to 45% of the recurring consolidated net income in the coming years.
In this context, the Board of Directors approved:

- the declaration of complementary "IOEs" for the year 2016 in the value of R$0.77540 per share, equivalent to R$4.3 billion (net of income tax). Complementary IOE will be paid on 03.03.2017, based on the final shareholding position on 02.20.2017 and with withholding of 15% of income tax at source, resulting in net interest of R$0.65909 per share, except for such withholding corporate shareholders proved to be immune or exempt; and
- that the IOEs approved and disclosed by the Board of Directors on 12.09.16, in the gross value of R$0.47140 per share (net of R$ 0.40069 per share), will also be paid on 03.03.2017.

Thus, the total of IOEs to be paid on 03.03.2017, net of income tax, will be R$1.05978 per share.
Adding the amount already distributed during the year 2016 with the amount to be distributed on 03.03.2017, Itaú shareholders will receive R$1.5789 per share (net of income tax) totaling R$10.0 billion of dividends and IOEs, equivalent to 45% of recurring consolidated net income for 2016, an increase of 36.9% over the year 2015.

Mergers and Acquisitions

Control Acquisition – Recovery – In March 2016, Itaú Unibanco closed the acquisition of 89.08% interest in the capital stock of Recovery do Brasil Consultoria S.A., of which 81.94% from Banco BTG Pactual S.A. (BTG) and 7.14% from other shareholders, and approximately 70% of a portfolio of R$38 billion in credit rights held by BTG.

Itaú CorpBanca – In April 2016, Itaú Unibanco closed the association of operations of Banco Itaú Chile with CorpBanca, and now it holds the control of the resulting entity – Itaú CorpBanca – with a 33.58% stake in capital stock. On that same date, the bank entered into the Shareholders' Agreement of Itaú CorpBanca, which entitled it the right to nominate, together with Corp Group[1], the majority of the members of Itaú CorpBanca's Board of Directors. These members are nominated according to the ownership interest of each party, and the bank has the right to elect the majority of the members elected by this block.

As from April 1, 2016, Itaú CorpBanca started to be consolidated in the financial statements of Itaú Unibanco, and added approximately R$115 billion of assets to the balance sheet.

In October 2016, the bank acquired 10.9 billion Itaú CorpBanca shares for the approximate amount of R$288.1 million, this being set forth in the shareholders' agreement of Itaú CorpBanca entered into between Itaú Unibanco and Corp Group on April 1, 2016. Therefore, Itaú Unibanco's interest ownership in Itaú CorpBanca reached 35.71%, from 33.58%, without changing the governance of Itaú CorpBanca.

1 Corp Group is a holding company controlled by the Saieh family, which holds investments in different sectors, such as financial, retail, real estate, hotel and media.

Group Life Insurance – In September 2016, Itaú Unibanco entered into an agreement for the sale of group life insurance operations with Prudential do Brasil. The sale of this operation reinforces the already-disclosed strategy of focusing on mass-market insurance products typically related to the retail banking segment.

Citibank – In October 2016, the bank entered into an Equity Interest Purchase Agreement with Citibank for the acquisition of its retail business in Brazil, including loans, deposits, credit cards, branches, asset management and insurance brokerage, as well as of the equity investments held by Citibank in TECBAN – Tecnologia Bancária S.A. and in CIBRASEC – Companhia Brasileira de Securitização. The completion of this transaction is subject to compliance with some conditions precedent, including obtaining approvals from the Central Bank of Brazil and the Brazilian antitrust agency (CADE).

Banco Itaú BMG Consignado **–** In December 2016, after obtaining the required regulatory authorizations and meeting conditions precedent, Itaú Unibanco completed the acquisition of the total equity investment held by Banco BMG in Banco Itaú BMG Consignado. This investment corresponds to 40% of the capital of Banco Itaú BMG Consignado, which means that Itaú Unibanco now is the holder of 100% of that institution's total capital. The amount paid was R$1.46 billion. Itaú Unibanco remains the leader among private banks in this segment*. At December 31, 2016, Itaú Unibanco's portfolio amounted to R$44.6 billion, including Itaú BMG Consignado's operations.

*December 2016.

IFRS

The amounts commented on below, when related to accounting information, were determined according to the International Financial Reporting Standards (IFRS).

Results

From January to December 2016, Itaú Unibanco's recurring net income was R$23.5 billion, up 2.7% from the same period of 2015, and annualized return on average equity was 20.3%. Achieved during a particularly challenging economic period, this result was achieved due to the ongoing strategy focused on lower risk credit lines, and banking service fees and income from insurance operations, while concurrently keeping a tight cost control and focus on the client.

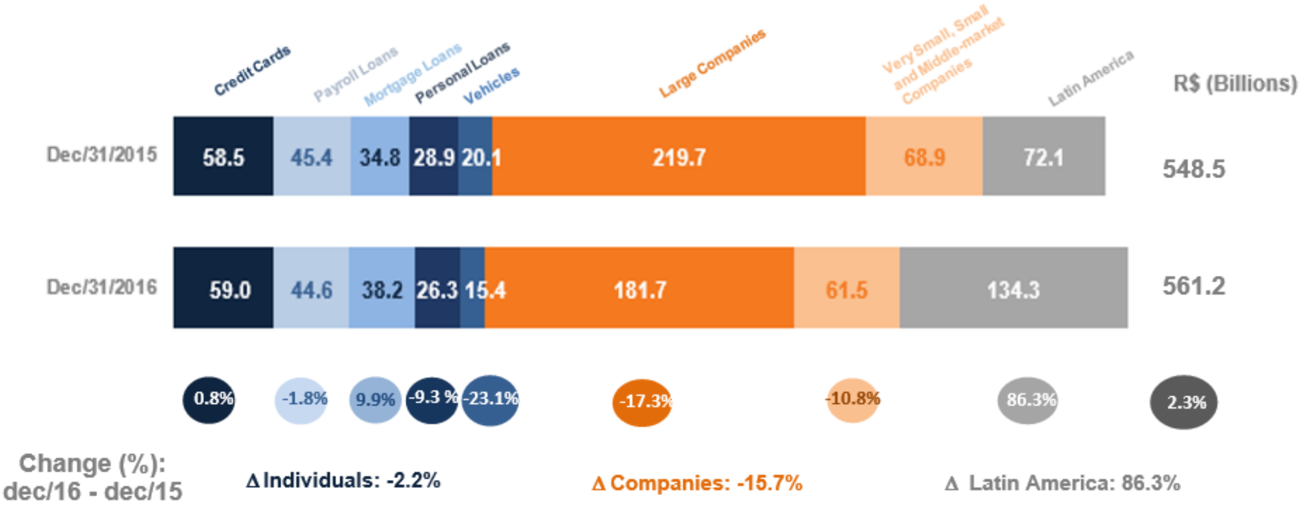
Assets

Total consolidated assets reached R$1.4 trillion at the end of December 2016, a 6.0% increase from the same period in 2015. The diversification of business is reflected in the changing composition of the loan portfolio in the last few years, focusing on the origination of products with lower risks and more guarantees and on the internationalization of the bank's operations.

Loan Portfolio

At December 31, 2016, the balance of the loan portfolio, including endorsements and sureties, reached R$561.2 billion, a 2.3% increase from December 31, 2015, mainly due to the effect of the consolidation of Itaú CorpBanca in Itaú Unibanco's financial statements as from the second quarter of 2016. If we also included the credit risks associated with private securities, this increase would reach 2.0%.

At December 31, 2016 and 2015, the breakdown of the portfolio, including endorsements and sureties, is as follows:



Default

The strategy to mitigate the risk associated with credit granting, started in 2012, has impacted the default ratio, mainly due to the change to a more conservative profile of Itaú Unibanco's portfolio:

- total delinquency rate (loans overdue for over 90 days) reached 3.4 % at December 31, 2016, a decrease of 0.1 basis points compared to December 31, 2015;
- in the individuals portfolio, this rate was 4.9% at the end of December 2016, a decrease of 0.5 basis points from the same period of the previous year; and
- in the companies portfolio, the default rate was 2.1% at the end of December 2016, up 0.2 basis points from December 31, 2015.

Funding

Free, raised and managed own assets amounted to R$2.1 trillion at December 31, 2016, up 11.0% from the same period of the previous year. Demand deposits added to savings deposits posted a 1.8% reduction from the same period of the previous year.

Capital Strength

At the end of December 2016, the Basel Ratio was 19.1%, of which: (i) 15.9% related to Tier I Capital, which is composed of the sum of Principal Capital and Complementary Capital, and (ii) 3.2% related to Tier II Capital. These indicators provide evidence of the bank's effective loss-absorbing capacity.

Liquidity

As from the second quarter of 2016, Itaú Unibanco started to report our Liquidity Coverage Ratio (LCR), which is calculated based on the methodology defined by Circular No. 3,749, of the Central Bank of Brazil, which is in line with international guidelines. LCR is a ratio that identifies high liquidity free assets and cash outflows (net) considering a 30-day period. The Central Bank's minimum requirement was 70% for 2016, and for this year the Company's average ratio was 212.8%.

Sustainability and Corporate Responsibility

Sustainability Indexes: Itaú Unibanco was selected for the 17th consecutive year to make up the Dow Jones Sustainability World Index (DJSI), the main sustainability index in the world, in its 2016/2017 edition. Itaú Unibanco is the only Latin American bank to be part of the index since its creation in 1999. For the 12th consecutive year, the bank was chosen to make up the portfolio of the 2016 BM&FBOVESPA Corporate Sustainability Index (ISE).

Social Private Investments - In 2016, Itaú Unibanco invested R$473.0 million in projects, of which 67.3% were via donations and sponsorships carried out by Itaú Unibanco itself and 32.7% were via amounts incentivized by laws (Rouanet, Sports Incentive Law), making contributions to education, health, culture, sports, and mobility projects.

Duratex

In 2016, investments totaled R$473.7 million, of which R$190.1 million for industrial maintenance, R$190.7 million for reforestation activities, and R$92.9 million related to the increase in interest in Colombian subsidiary Tablemac and its resulting delisting. In a scenario of uncertainties such as 2016, Duratex withheld its investments plans, focusing rather on the maintenance of its operations, without adversely impacting its long-term strategy, as it, for instance, increased interest in Tablemac.

Results

In 2016, net revenue totaled R$3,909.8 million, a slight fall of 1.3%, even with a higher fall in volume (-5.3% at Deca division and -2.6% at Wood division). This result was mainly driven by the higher prices charged by both divisions over 2016.

In 2016, Duratex's recurring adjusted EBITDA totaled R$681.0 million, down 18.6% from the previous year, reflecting the impacts of lower volumes recorded, the mix of products with lower value added and unfavorable market dynamics. However, recurring adjusted EBITDA for the fourth quarter was positively impacted by the sale of forest assets, higher volumes in the wood division, the mix of higher-end products in Deca Division, and initiatives to cut costs adopted by Duratex, totaling R$217.1 million, approximately 17% higher than the same period of 2015.

Over 2016, Duratex reversed the loss recorded in the first semester. The company showed capacity to bounce back, by reducing costs, improving prices and selling surplus forest assets. This set of measures was enough to revert results, and net income for the year was R$26.2 million. Noteworthy mentioning is that although recurring net income was negative by R$12.9 million (excluding the sale of land).

The Company's net debt decreased approximately R$87 million from the previous quarter, totaling R$2,040.7 million at the end of 2016. As a result, leverage, which was 3.28 times the net debt over Ebitda in the previous quarter, reached 2.99 times in the year-to-date. Although small, this decrease in the company's indebtedness signals its efforts to reduce net debt. This better result was driven by extending terms with suppliers, selling forest assets, and selling farms, which had a positive impact on cash, even though it was an extraordinary event. These initiatives are in line with the Company's purpose of reducing its indebtedness level, and the highlight goes to the efforts for improving working capital.

2016 was one year of instability and uncertainties for the furniture sector that impacted the **Wood Division**. In 2016 volume dropped 2.6% from the previous year. Net revenue of the Wood Division totaled R$2,594.5 million in the year, practically stable compared to 2015. In the year-to-date, recurring adjusted EBITDA margin was 19.4% from 22.9% in 2015. The lower level of demand for wood panels, a result from falling consumption levels, and a more competitive scenario, put pressure on prices over the year and adversely impacted the results of the wood Division.

Deca Division consolidated sales of 24.6 million parts in 2016, a 5.3% drop from the previous year. In 2016, net revenue was R$1,315.2 million, down 3.7% from 2015. Recurring adjusted EBITDA margin was 13.4% (17.7% in 2015).

The civil construction sector, in which Deca operates, was severely affected by adverse market conditions, recording for the third consecutive year a lower rate, as measured by Abramat. Despite recording worse results, Deca once again outperformed the average results of the sector. The index showed a 11.5% fall in revenues for the sector in 2016, but Deca's revenues fell just slightly, a mere 3.7%, as a result of commercial initiatives adopted over the year, of the strength and the recognition granted to the Deca brand by end consumers, and the soundness of the group, which continued to invest in the brand, even considering the current adverse scenario.

Sustainability and Corporate Responsibility

In 2016, Duratex revisited its Sustainability Strategy, build up on a collective basis by the company's employees.

This strategy is based on four pillars and eight relevant themes on which social and environmental performance targets to be met by 2025 were set.

This learning process in progress shows the commitment to an improved management and the increased generation of value to the entire society. By way of example, we have Duratex making up the Corporate Sustainability Index (ISE) of BM&F Bovespa, 2017 portfolio, and the recognition granted as a role model company in the construction materials sector by the sustainability directory of Exame magazine.

Elekeiroz

Investments totaled R$33.0 million in the twelve months of 2016, mainly towards maintenance of operations and acquisition of 50% of Nexoleum Bioderivados, therefore setting up a joint venture to exploit the market of plasticizers with renewable base, thus complementing the portfolio of sustainable solutions for our flexible PVC sector clients.

Results

In 2016, shipped volume was down 6% from 2015, with both inorganic and organic products recording decreases of 7% and 6%, respectively. Despite the fall in the year, the last quarter of 2016 showed signs of recovery, with shipments higher by 24% from the previous quarter, driven by a 66% increase in the shipped volume of inorganic products.

In 2016, net revenue reached R$770.8 million, down 14% from the same period of 2015. Domestic sales fell 10% and exports, 46%, respectively.

Gross profit for the fourth quarter of 2016 was the largest recorded in the year, up 28% and 73% from the third and second quarters, respectively. Gross profit for the year was R$40.0 million, down 35% compared to 2015.

In 2016, EBITDA was negative by R$56,4 million (positive R$45.5 million in 2015). Recurring EBITDA was R$1.1 million for the year.

In the year-to-date, Elekeiroz totaled a loss of R$343.7 million, of which R$50.3 million were recurring (loss of R$11.0 million in 2015).

Significant Accounting Adjustments to Elekeiroz Financial Statements for 2016

On December 27, 2016, Elekeiroz recorded the impairment of certain assets and carried out other accounting adjustments, with significant impact on the financial statements for the fiscal year 2016, as detailed below:

- Impairment of assets – In the amount of R$154.8 million;
- Write-off of assets and recognition of provisions for the plasticizers and phthalic anhydride plants in Camaçari (State of Bahia), now permanently decommissioned, in the amount of R$51.3 million;
- Write-off of assets in connection with tax credits for income tax and social contribution, in the amount of R$50.5 million;
- Complementary allowance for loan losses, in the amount of R$20.3 million.

The aforementioned adjustments adversely impacted the results of Elekeiroz in the last quarter and in the fiscal year 2016 by R$276.9 million, reducing the Company's stockholders' equity to R$111.4 million at December 31, 2016.

Sustainability and Corporate Responsibility

Quality Management and Responsible Care: all production lines of Elekeiroz are certified by ISO 9001. Additionally, the company was one of the sponsors of the Responsible Care Congress held by the Brazilian Association of Chemical Industry (ABIQUIM) in October 2016.

Itautec

Dissent of Stockholders: In conformity with the CVM Board's decision issued on the meeting of August 9, 2016, published in the Federal Official Gazette on September 29, 2016, the dissent process arising from the amendment to Itautec's corporate purpose was completed and filed on the grounds of compliance with the provisions agreed in the Term of Commitment signed on January 21, 2016, with no further obligation left to be fulfilled by the Company.

Partnership with OKI Electric Industry CO. LTD. (“Oki”): On January 11, 2017, Itautec exercised the put option for 763,740 shares of Oki Brasil in the amount of R$53,350 thousand, received from Oki on that same date. As a result, Itautec now holds 1,717,650 shares (11.2% of Oki Brasil’s capital).

Operational management: Itautec continues to honor the warranty and maintenance contracts for equipment related to the Itautec / Infoway brand, without causing any inconvenience to its Customers.

6) PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 106.4 thousand people at the end of December 2016, including approximately 14.4 thousand employees in foreign units and 56 people dedicated to Itaúsa’s specific activities.

The fixed compensation plus charges and benefits of the Conglomerate’s employees totaled R$15.3 billion from January to December 2016, a 10.1 % increase from the previous year.

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 related services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditor’s independence. These principles include the following: (a) an auditor cannot audit his or her own work, (b) an auditor cannot hold managerial positions at their client’s; and (c) an auditor cannot promote the interests of its client.

In the period from January to December 2016, BDO and its related parties did not provide non-audit related services in excess of 5% of total external audit fees.

Additionally, we decided to apply the provisions of this Instruction to engage non-audit related services by PwC. In the period from January to December 2016, the following services were provided:

- January 6 – Human Capital Benchmarking services for 2016;
- January 22, August 25, and December 22 – tax advisory and transfer pricing procedures;
- February 15, March 7, March 23, May 16 and May 23 – acquisition of training, technical materials and survey;

- March 31 – review of fiscal bookkeeping;
- July 11 – advisory on the review of the loan portfolio sale structuring; and
- October 24 – assessment of the availability related to SEC custody rule 206.

Independent Auditors' Justification - PwC

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

8) ACKNOWLEDGEMENTS

We thank our stockholders and clients for their trust, which we always try to pay back by obtaining results differentiated from those of the market, and making available quality products and services, and our employees for their talent, which has enabled the sustainable growth of business.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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Vice-Chairman
Alfredo Egydio Setubal

Members
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Paulo Setubal
Rodolfo Vilella Marino
Walter Mendes de Oliveira Filho

Alternative members
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Ricardo Egydio Setubal
Ricardo Villela Marino

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President
Tereza Cristina Grossi Togni

Members
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Flavio César Maia Luz
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Paulo Ricardo Moraes Amaral

Alternative members
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Felício Cintra do Prado Júnior
Isaac Berensztejn
João Costa

EXECUTIVE BOARD

Chief Executive Officer
Alfredo Egydio Setubal (*)

Executive Vice-Presidents
Roberto Egydio Setubal
Rodolfo Villela Marino

(*) Investor Relations Officer

Accountant
Ricardo Jorge Porto de Sousa
CRC 1SP 185.916/O-8

ITAÚ UNIBANCO HOLDING S.A.

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Vice-Chairmen
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Roberto Egydio Setubal

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Demosthenes Madureira de Pinho Neto
Fábio Colletti Barbosa
Gustavo Jorge Laboissière Loyola
José Galló
Nildemar Secches
Pedro Luiz Bodin de Moraes
Ricardo Villela Marino

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Chairman
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Diego Fresco Gutierrez
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Rogério Paulo Calderón Peres

FISCAL COUNCIL

President
Alkimar Ribeiro Moura

Members
Carlos Roberto de Albuquerque Sá
José Caruso Cruz Henriques

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Eduardo Mazzilli de Vassimon
Márcio De Andrade Schettini
Marco Ambrogio Crespi Bonomi

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Caio Ibrahim David (**)
Claudia Politanski

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Fernando Barçante Tostes Malta
Leila Cristiane Barboza Braga de Melo
Paulo Sergio Miron

Officers
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Álvaro Felipe Rizzi Rodrigues
Atilio Luiz Magila Albiero Junior
Eduardo Hiroyuki Miyaki
Emerson Macedo Bortoloto
Gilberto Frussa
José Virgilio Vita Neto
Marcelo Kopel (*)
Matias Granata
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Sergio Mychkis Goldstein
Wagner Bettini Sanches

(*) Investor Relations Officer
(**) Elected at the ESM of 12/09/2016, approved by the BACEN of 01/05/2017.

DURATEX S.A.

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Salo Davi Seibel

Vice-Chairmen
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Ricardo Egydio Setubal

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Francisco Amauri Olsen
Helio Seibel
Juliana Rozenbaum Munemori
Raul Calfat
Rodolfo Villela Marino

Alternative Members
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Olavo Egydio Setubal Júnior
Ricardo Villela Marino

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Raul Penteado de Oliveira Neto

Vice-Chairman of the Wood business unit
Henrique Guaragna Marcondes

Directors
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Bruno Basile Antonaccio
Carlos Henrique Pinto Haddad
José Ricardo Paraíso Ferraz
Marco Antonio Milleo
Maria Julieta Pinto Rodrigues Nogueira
Nelson Ricardo Teixeira
Paulo Cesar Maróstica

(*) Investor Relations Officer

ITAUTEC S.A. – GRUPO ITAUTEC

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Vice-Chairman
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Members
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Alternative Members
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EXECUTIVE BOARD

Chief Executive Officer
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Directors
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Maria Fernanda Ribas Caramuru
Rodolfo Latini Neto (*)

(*) Investor Relations Officer

ELEKEIROZ S.A.

BOARD OF DIRECTORS

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Vice-Chairman
Olavo Egydio Setubal Júnior

Members
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Henri Penchas
Ricardo Egydio Setubal

Alternative Members
Alfredo Egydio Setubal
Ricardo Villela Marino

EXECUTIVE BOARD

Chief Executive Officer
Marcos Antonio de Marchi (*)

Directors
Elder Antonio Martini
Ricardo Craveiro Massari

(*) Investor Relations Officer

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Balance Sheet
(In millions of reais)

ASSETS	NOTE	12/31/2016	12/31/2015
Cash and cash equivalents	3	2,434	2,174
Financial assets held for trading	4	310	282
Trade accounts receivable	5	934	996
Other financial assets	6a	1,441	1,176
Inventory	7	907	968
Investments in associates and joint ventures	8 IIa	45,044	41,216
Fixed assets, net	9	3,742	4,146
Intangible assets, net	10	997	1,024
Biological assets	11	1,529	1,442
Tax assets		1,597	1,322
Income tax and social contribution - current		550	388
Income tax and social contribution - deferred	12b	961	816
Other		86	118
Other non-financial assets	6a	37	13
Held-for-sale assets	28	20	41
Investment property	29	28	30
TOTAL ASSETS		**59,020**	**54,830**

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2016	12/31/2015
Liabilities			
Dividends and interest on capital		2,032	1,568
Loans and financing	13	3,712	2,961
Debentures	14	-	137
Provision	15	996	743
Tax liabilities		863	789
Income tax and social contribution - current		44	29
Income tax and social contribution - deferred	12b	496	611
Other		323	149
Other liabilities	6b	738	761
Total Liabilities		**8,341**	**6,959**
Stockholders' Equity			
Capital	16a	36,405	32,325
Treasury shares		(204)	(33)
Reserves	16c	13,077	13,341
Carrying value adjustments		(1,549)	(786)
Total Stockholders' Equity Attributable to Owners of the Parent Company		**47,729**	**44,847**
Non-controlling interests		2,950	3,024
Total Stockholders' Equity		**50,679**	**47,871**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**59,020**	**54,830**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Income
(In millions of reais, except per share information)

	NOTE	01/01 to 12/31/2016	01/01 to 12/31/2015
Net sales revenue of products and services	18	4,687	4,885
Cost of products and services	19	(3,641)	(3,731)
Sales expenses	19	(629)	(621)
General and administrative expenses	19	(307)	(316)
Other (losses)/gains, net	20	(171)	23
Tax expenses		(290)	(229)
Financial result	21	(191)	(92)
Share of income in associates and joint ventures	8 IIa	8,579	9,057
Income before income tax and social contribution		**8,037**	**8,976**
Current income tax and social contribution	12a	(75)	(40)
Deferred income tax and social contribution	12b	254	58
Net income		**8,216**	**8,994**
Net income attributable to owners of the parent company		8,211	8,868
Net income attributable to non-controlling interests		5	126
Earnings per share - basic and diluted	22		
Common		1.11	1.20
Preferred		1.11	1.20
Weighted average number of shares outstanding – basic and diluted			
Common		2,841,521,554	2,851,347,945
Preferred		4,575,176,570	4,568,368,454

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A
Consolidated Statement of Comprehensive Income
(In millions of reais)

	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income	**8,216**	**8,994**
Other comprehensive income	**(763)**	**(301)**
Amounts that will subsequently be reclassified to results	**(540)**	**(283)**
Interest in associates and jointly controlled entities, net of tax	**(520)**	**(303)**
Available-for-sale financial assets; hedges and foreign exchange variations on investments abroad	(520)	(303)
Interest in subsidiaries, net of tax	**(20)**	**20**
Foreign exchange variations on investments abroad	(20)	20
Amounts that will not subsequently be reclassified to results	**(223)**	**(18)**
Interest in associates and jointly controlled entities, net of tax	**(221)**	**(18)**
Remeasurement of post-employment benefit obligations	(221)	(18)
Interest in subsidiaries, net of tax	**(2)**	**-**
Remeasurement of post-employment benefit obligations	(2)	-
Total comprehensive income	**7,453**	**8,693**
Comprehensive income attributable to owners of the parent-company	7,448	8,567
Comprehensive income attributable to non-controlling interests	5	126

The accompanying notes are an integral part of these financial statements.

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Cash Flow
(In millions of reais)

	Note	01/01 to 12/31/2016	01/01 to 12/31/2015
Cash flow from operating activities			
Adjusted net income		**891**	**974**
Net income		8,216	8,994
Adjustments to net income:		(7,325)	(8,020)
Interest, foreign exchange and monetary variations, net		478	422
Depreciation, amortization and depletion	9, 10, 11 and 29	645	638
Share of income in associates and joint ventures	8 IIa	(8,579)	(9,057)
Deferred income tax and social contribution		(254)	(58)
Change in fair value of biological assets	11 c	(158)	(125)
Allowance for loan losses	5	48	18
Contingent liabilities	15 b	194	139
Impairment of fixed assets and intangibles		155	-
Other		146	3
Changes in assets and liabilities		**(70)**	**276**
(Increase) decrease in financial assets		(28)	8
Decrease in trade accounts receivable		14	55
(Increase) decrease in inventory		61	(137)
Increase in tax assets		(21)	(134)
(Increase) decrease in other assets		(289)	105
Increase in tax liabilities		89	51
Increase in other liabilities		104	328
Others		**(346)**	**(264)**
Payment of income tax and social contribution		(15)	(13)
Interest paid on loans and financing		(331)	(251)
Net cash from operating activities		**475**	**986**
Cash flow from investment activities			
Purchase of investments		(131)	(1)
Acquisition of fixed assets, intangibles and biological assets		(404)	(575)
Interest on capital and dividends received		2,827	2,550
Net cash from investment activities		**2,292**	**1,974**
Cash flow from financing activities			
Subscription of shares		20	3
Purchases of treasury shares		(204)	(38)
Interest on capital and dividends paid		(2,900)	(2,545)
Borrowing and financing		2,162	719
Payment of borrowing and financing		(1,406)	(819)
Payment of debentures		(153)	(7)
Payment to the dissenting shareholders		(18)	-
Net cash used in financing activities		**(2,499)**	**(2,687)**
Net increase in cash and cash equivalents		**268**	**273**
Cash and cash equivalents at the beginning of the exercise	3	2,174	1,897
Effects of changes in exchange rates on cash and cash equivalents		(8)	4
Cash and cash equivalents at the end of the exercise	3	2,434	2,174

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Value Added
(In millions of reais)

	01/01 to 12/31/2016	%	01/01 to 12/31/2015	%
Income	**5,929**		**6,190**	
Sales of products and services	5,866		6,165	
Allowance for doubtful accounts	(48)		(18)	
Other revenue	111		43	
Inputs purchased from third parties	**(4,040)**		**(3,921)**	
Cost of products and services	(3,138)		(3,280)	
Materials, energy and third-party services	(899)		(638)	
Other	(3)		(3)	
Gross value added	**1,889**		**2,269**	
Depreciation, amortization and depletion	(645)		(638)	
Net value added produced by the company	**1,244**		**1,631**	
Value added received from transfer	**8,990**		**9,509**	
Share of income in associates and joint ventures	8,579		9,057	
Financial income	387		446	
Other revenue	24		6	
Total value added to be distributed	**10,234**		**11,140**	
Distribution of value added	**10,234**	**100.00%**	**11,140**	**100.00%**
Personnel	791	7.73%	813	7.30%
Compensation	627		650	
Benefits	119		117	
FGTS – Government severance pay fund	43		44	
Other	2		2	
Taxes, fees and contributions	674	6.59%	818	7.34%
Federal	522		601	
State	141		211	
Municipal	11		6	
Return on third parties’ assets - Interest	553	5.40%	515	4.62%
Return on own assets	8,216	80.28%	8,994	80.74%
Dividends and interest on capital paid/provided for	4,315		3,035	
Retained earnings for the period	3,896		5,833	
Non-controlling interests in retained earnings	5		126	

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Balance Sheet

(In millions of reais)

ASSETS	NOTE	12/31/2016	12/31/2015
Cash and cash equivalents		666	802
Financial assets held for trading		310	282
Other financial assets		1,040	932
Dividends and interest on capital		1,006	888
Escrow deposits as guarantees of contingencies		34	44
Investments in subsidiaries, associates and joint ventures	8 Ic	47,138	43,641
Fixed assets, net		85	85
Intangible assets, net		460	460
Tax assets		1,168	804
Income tax and social contribution - current		483	316
Income tax and social contribution - deferred		683	486
Other		2	2
Other assets		6	5
TOTAL ASSETS		**50,873**	**47,011**

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2016	12/31/2015
Liabilities			
Dividends and interest on capital		2,028	1,444
Provision		821	595
Tax liabilities		290	117
Income tax and social contribution - deferred		4	6
Other		286	111
Other liabilities		5	8
Total Liabilities		**3,144**	**2,164**
Stockholders’ Equity			
Capital	16a	36,405	32,325
Treasury shares		(204)	(33)
Reserves	16c	13,077	13,341
Carrying value adjustments		(1,549)	(786)
Total Stockholders’ Equity		**47,729**	**44,847**
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY		**50,873**	**47,011**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Statement of Income

(In millions of reais, except per share information)

	NOTE	01/01 to 12/31/2016	01/01 to 12/31/2015
Financial results		67	98
Other operating income		24	12
General and administrative expenses		(43)	(40)
Tax expenses		(288)	(227)
Share of income in subsidiaries, associates and joint ventures	8 I c	8,246	9,092
Income before income tax and social contribution		**8,006**	**8,935**
Current income tax and social contribution		6	-
Deferred income tax and social contribution		199	(67)
Net income		**8,211**	**8,868**
Earnings per share - basic and diluted	22		
Common		1.11	1.20
Preferred		1.11	1.20
Weighted average number of shares outstanding – basic and diluted			
Common		2,841,521,554	2,851,347,945
Preferred		4,575,176,570	4,568,368,454

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A

Individual Statement of Comprehensive Income

(In millions of reais)

	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income	**8,211**	**8,868**
Other comprehensive income	**(763)**	**(301)**
Amounts that will subsequently be reclassified to results	**(540)**	**(283)**
Interest in associates and jointly controlled entities, net of tax	**(520)**	**(303)**
Available-for-sale financial assets; hedges and foreign exchange variations on investments abroad	(520)	(303)
Interest in subsidiaries, net of tax	**(20)**	**20**
Foreign exchange variation on investments abroad	(20)	20
Amounts that will not be subsequently reclassified to results	**(223)**	**(18)**
Interests in associates and jointly controlled entities, net of tax	**(221)**	**(18)**
Remeasurement of post-employment benefit obligations	(221)	(18)
Interest in subsidiaries, net of tax	**(2)**	**-**
Remeasurement of post-employment benefit obligations	(2)	-
Total comprehensive income	**7,448**	**8,567**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Statement of Changes in Stockholders' Equity (Note 16)
(In millions of reais)

	Attributable to owners of the parent company							Total stockholders' equity		
	Capital	Treasury shares	Appropriated reserves / Capital and revenue	Unappropriated reserves	Proposal for distribution of additional dividends	Retained earnings / (accumulated deficit)	Other comprehensive income	owners of the parent company	non-controlling interests	Total
Balance at 01/01/2015	**27,025**	**(91)**	**7,249**	**4,969**	**559**	**-**	**(485)**	**39,226**	**3,013**	**42,239**
Transactions with owners	5,300	58	(5,255)	-	159	(3,035)	-	**(2,773)**	(115)	**(2,888)**
Subscription of shares	300	-	-	-	-	-	-	**300**	-	**300**
Treasury shares	-	(38)	-	-	-	-	-	**(38)**	-	**(38)**
Cancellation of treasury stock	-	96	(96)	-	-	-	-	**-**	-	**-**
Increase in capital with reserves	5,000	-	(5,000)	-	-	-	-	**-**	-	**-**
Change in non-controlling interests	-	-	-	-	-	-	-	**-**	(115)	**(115)**
Dividends and interest on capital	-	-	-	-	-	(2,317)	-	**(2,317)**	-	**(2,317)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	718	(718)	-	**-**	-	**-**
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	(159)	-	(559)	-	-	**(718)**	-	**(718)**
Transactions with subsidiaries and jointly controlled companies	-	-	(173)	-	-	-	-	**(173)**	-	**(173)**
Paid-in reserves	-	-	4,969	(4,969)	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	8,868	(301)	**8,567**	126	**8,693**
Net income	-	-	-	-	-	8,868	-	**8,868**	126	**8,994**
Other comprehensive income	-	-	-	-	-	-	(301)	**(301)**	-	**(301)**
Appropriations:										
Legal reserve	-	-	443	-	-	(443)	-	**-**	-	**-**
Unappropriated-reserves	-	-	-	5,390	-	(5,390)	-	**-**	-	**-**
Balance at 12/31/2015	**32,325**	**(33)**	**7,233**	**5,390**	**718**	**-**	**(786)**	**44,847**	**3,024**	**47,871**
Change in the period	**5,300**	**58**	**(16)**	**421**	**159**	**-**	**(301)**	**5,621**	**11**	**5,632**
Balance at 01/01/2016	**32,325**	**(33)**	**7,233**	**5,390**	**718**	**-**	**(786)**	**44,847**	**3,024**	**47,871**
Transactions with owners	4,080	(171)	(4,113)	-	524	(4,315)	-	**(3,995)**	(79)	**(4,074)**
Treasury shares	-	(204)	-	-	-	-	-	**(204)**	-	**(204)**
Cancellation of treasury stock	-	33	(33)	-	-	-	-	**-**	-	**-**
Increase in capital with reserves	4,080	-	(4,080)	-	-	-	-	**-**	-	**-**
Change in non-controlling interests	-	-	-	-	-	-	-	**-**	(79)	**(79)**
Dividends and interest on capital	-	-	-	-	-	(3,073)	-	**(3,073)**	-	**(3,073)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	1,242	(1,242)	-	**-**	-	**-**
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	-	-	(718)	-	-	**(718)**	-	**(718)**
Transactions with subsidiaries and jointly controlled companies	-	-	(571)	-	-	-	-	**(571)**	-	**(571)**
Paid-in reserves	-	-	5,390	(5,390)	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	8,211	(763)	**7,448**	5	**7,453**
Net income	-	-	-	-	-	8,211	-	**8,211**	5	**8,216**
Other comprehensive income	-	-	-	-	-	-	(763)	**(763)**	-	**(763)**
Appropriations:										
Legal reserve	-	-	411	-	-	(411)	-	**-**	-	**-**
Unappropriated-reserves	-	-	-	3,485	-	(3,485)	-	**-**	-	**-**
Balance at 12/31/2016	**36,405**	**(204)**	**8,350**	**3,485**	**1,242**	**-**	**(1,549)**	**47,729**	**2,950**	**50,679**
Change in the period	**4,080**	**(171)**	**1,117**	**(1,905)**	**524**	**-**	**(763)**	**2,882**	**(74)**	**2,808**

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Cash Flows
(In millions of reais)

	01/01 to 12/31/2016	01/01 to 12/31/2015
Cash flow from operating activities		
Adjusted net income	**(10)**	**21**
Net income	8,211	8,868
Adjustments to net income:	(8,221)	(8,847)
Share of income in subsidiaries, associates and joint ventures	(8,246)	(9,092)
Deferred income tax and social contribution	(199)	67
Contingent liabilities	169	138
Interest and monetary variations, net	52	38
Depreciation and amortization	3	2
Changes in assets and liabilities	**50**	**251**
(Increase) Decrease in financial assets	(28)	8
Decrease in other assets	321	280
Decrease in provision and other liabilities	(243)	(37)
Net cash from operating activities	**40**	**272**
Cash flow from investment activities		
Capital increase in subsidiary	(1)	(200)
Purchases of fixed assets and intangible	(4)	(17)
Interest on capital and dividends received	2,847	2,591
Net cash from investing activities	**2,842**	**2,374**
Cash flow from financing activities		
Subscription of shares	-	3
Purchases of treasury shares	(204)	(38)
Interest on capital and dividends paid	(2,814)	(2,452)
Net cash used in financing activities	**(3,018)**	**(2,487)**
Net increase (decrease) in cash and cash equivalents	**(136)**	**159**
Cash and cash equivalents at the beginning of the exercise	802	643
Cash and cash equivalents at the end of the exercise	666	802

The accompanying notes are an integral part of these financial statements.

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Individual Statement of Value Added
(In millions of reais)

	01/01 to 12/31/2016	%	01/01 to 12/31/2015	%
Inputs purchased from third parties	**(31)**		**(31)**	
Third-party services	(21)		(21)	
Other	(10)		(10)	
Agreement for apportionment of shared costs	(3)		(5)	
Other	(7)		(5)	
Gross value added	**(31)**		**(31)**	
Depreciation and amortization	(3)		(2)	
Net added value produced by the company	**(34)**		**(33)**	
Added value received through transfers	**8,416**		**9,254**	
Share of income in subsidiaries, associates and joint ventures	8,246		9,092	
Financial income	146		150	
Other income	24		12	
Total value added to be distributed	**8,382**		**9,221**	
Distribution of value added	**8,382**	**100.00%**	**9,221**	**100.00%**
Personnel - compensation	8	0.10%	7	0.08%
Taxes, fees and contributions - federal	84	1.00%	294	3.19%
Return on third parties' assets - interest	79	0.94%	52	0.56%
Return on own assets	8,211	97.96%	8,868	96.17%
Dividends and interest on capital	4,315		3,035	
Retained earnings for the period	3,896		5,833	

The accompanying notes are an integral part of these financial statements.

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Financial Statements
at December 31, 2016
(In millions of Reais, except as otherwise disclosed)

NOTE 1 – OVERVIEW

Itaúsa – Investimentos Itaú S.A. ("ITAÚSA") is a publicly held company, organized and existing under the laws of Brazil, and is located at Praça Alfredo Egydio de Souza Aranha, No. 100, Jabaquara, Torre Olavo Setubal, in the city of São Paulo, Brazil.

ITAÚSA has as its main objective supporting the companies in which it holds equity interests, through studies, analyses and suggestions regarding operating policy; projects for the expansion of the companies mentioned; obtaining resources to meet the related additional needs for risk capital through the subscription or acquisition of securities issued, to strengthen their position in the capital market and carry out related activities or subsidiaries of interest to the companies mentioned, except for those restricted to financial institutions.

Through its controlled and jointly-controlled companies, ITAÚSA operates in the following markets: financial services (Itaú Unibanco Holding); wood panels, bathroom porcelains, metals and electronic showers (Duratex); information technology (Itautec); and chemical products (Elekeiroz) – as shown in Note 25 "Segment Information".

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family which holds 62.02% of the common shares and 16.93% of the preferred shares, making 34.16% of the total.

The Fiscal Council is the body responsible for overseeing the preparation of ITAÚSA's Individual and Consolidated Financial Statements.

These individual and consolidated financial statements were approved by the ITAÚSA Board of Directors on February 13, 2017.

NOTE 2 – ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these individual and consolidated financial statements are set out below.

2.1 BASIS OF PREPARATION

Consolidated financial statements

The consolidated financial statements of Itaúsa and its subsidiaries (ITAÚSA CONSOLIDATED) were prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee ("CPC"), as well as the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and contain all the information relevant to the financial statements, which is consistent with that used by board in its management.

Individual financial statements

The individual financial statements of the parent were prepared in accordance with the Brazilian accounting practices issued by the CPC and are published together with the consolidated financial statements and contain all the information relevant to the financial statements, which is consistent with that used by board in its management.

The preparation of financial statements requires the Company's management ("Management") to use certain critical accounting estimates and to exercise judgment in the process of applying the accounting policies of ITAÚSA and its subsidiaries. The areas that require a higher degree of judgment and have greater complexity, as well as those in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.3.

The presentation of the individual and consolidated statements of value added is required by Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to publicly held companies, while IFRS does not require the presentation of such statements. As a consequence, under IFRS, the statement of value added is presented as supplementary information, without prejudice to the set of financial statements.

All references to the pronouncements of the CPC should also be understood as references to the corresponding IFRS pronouncements, and vice versa, and it should be noted that, in general, the early adoption of revisions or new IFRS is not possible in Brazil.

2.2 NEW PRONOUNCEMENTS, CHANGES TO AND INTERPRETATIONS OF EXISTING PRONOUNCEMENTS

a) Amendments to accounting pronouncements applicable to periods ended December 31, 2016

- IASB Annual Improvement Cycle (2012–2014) – Annually, IASB makes minor amendments to a series of pronouncements to clarify the current standards and avoid multiple interpretations. 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. No material impacts arising from this change to the financial statements of ITAÚSA were identified.

- Amendment to IFRS 11 – "Joint Arrangements" – This amendment establishes accounting criteria for the acquisition of interest in joint ventures and joint operations, which constitute business, in accordance with the methodology established in IFRS 3 – "Business Combinations". The impact of this amendment will be felt only in the case of an acquisition of joint control.

- Amendment to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets" – This amendment clarifies the basic principle for depreciation and amortization as being the expected pattern of consumption of future economic benefits embodied in the asset. No material impacts arising from this change on the financial statements of ITAÚSA were identified.

- Amendment to IAS 1 – "Presentation of Financial Statements" – The amendments are 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 of the IFRS standards. Effective for periods beginning on January 1, 2016. Main effects identified are related to the disclosure of accounting policies and judgment of materiality in the notes to the financial statements.

- Amendment to IAS 28, IFRS 10 and IFRS 12 – “Applying the Consolidation Exception”; - this document sets out guidelines for the application of the concept of investment entities. No material impacts arising from this change on the financial statements of ITAÚSA and its subsidiaries were identified.

b) Accounting pronouncements recently issued and applicable to future periods

The following pronouncements will be applicable for periods after the date of these consolidated financial statements and have not been adopted early:

- IFRS 9 – Financial Instruments – this standard is aimed at replacing IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 applies to financial instruments and will be adopted retrospectively at its effective date on January 1, 2018. This new standard is structured to cover the pillars (I) classification and measurement of financial assets, (II) impairment, and (III) hedge accounting. Among a number of amendments, we believe that the items below may have the most significant impacts:

    - Classification and measurement of financial assets: the classification of financial assets should depend on two criteria: the entity´s business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets;
    - Impairment: The new standard introduced the expected loss approach and classification into three phases;
    - Hedge accounting: The hedge accounting requirements are directly related to risk management and should be applied on a prospective basis.

  IFRS 9 is in process of implementation by Itaúsa and its subsidiaries and joint ventures, and an evaluation of the possible impacts resulting from the adoption of this standard has been conducted and will be completed through its effective date. It should be noted that the adoption of the expected loss in relation to the incurred loss approach is likely to require an increase in the allowance for loan and lease losses, since the recognition of losses will be anticipated.

- IFRS 15 – Revenue from Contracts with Customers– This pronouncement replaces IAS 18 and IAS 11, as well as the interpretations related thereto (IFRICs 13, 15 and 18). It requires that revenue is recognized in a way that shows the transfer of assets or services to the customer for an amount that reflects the company’s expectation of having in consideration the rights to these assets or services. This standard is effective for annual periods beginning on January 1, 2018. No material impacts arising from the adoption of this standard has been identified for the financial statements of ITAÚSA.

- Amendments 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 associates or joint ventures. The effective date has not been defined by the IASB yet. No material impacts arising from this change on the financial statements of the ITAÚSA were identified.

- IFRS 16 – “Leases” – The pronouncement replaces IAS 17 - Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model, that consists of: (a) recognizing leases which terms exceeds 12 months and with substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in the result. For the lessor, accounting will continue to be segregated between operating and financial lease. Effective for annual periods beginning on January 1, 2019. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

There are no other IFRS standards or IFRIC interpretations that have not yet come into force and that could have a significant impact on the ITAÚSA and its subsidiaries.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the individual and consolidated financial statements in compliance with the CPCs requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent 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 these estimates and assumptions.

All estimates and assumptions made by Management are in compliance with the CPCs and represent the current best estimates made in compliance with the applicable rules. Estimates and judgments are evaluated on an ongoing basis, considering past experience and other factors.

The 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) Deferred income tax and social contribution

As explained in Note 2.4m, deferred tax assets are recognized only in relation to temporary differences and losses carried-forward to the extent that it is probable that ITAÚSA and its subsidiaries will generate future taxable profits for their utilization. The expected realization of the deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future income and other technical studies, as disclosed in Note 12. The carrying amount of deferred tax assets was R$ 961 at December 31, 2016 (R$ 816 at December 31, 2015).

b) Fair value of financial instruments, including derivatives

The fair value of financial instruments, including derivatives, is determined using valuation techniques. This calculation is based on assumptions that take into consideration Management's judgment regarding market information and conditions existing as at the balance sheet date.

ITAÚSA and its subsidiaries rank the fair value measurements using a fair value hierarchy that reflects the significance and observable nature of inputs adopted as part of the measurement process. There are three broad levels related to the fair value hierarchy, detailed in Note 27.

ITAÚSA and its subsidiaries believe that all of the methodologies they have adopted are appropriate and consistent with those used by other market participants. Regardless of this fact, the adoption of other methodologies or the 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 also described in Note 27.

c) Provisions, contingent assets and liabilities

ITAÚSA and its subsidiaries periodically review their 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 "Provision."

Contingent amounts are measured using appropriate models and criteria, despite uncertainty surrounding the ultimate timing and amounts, as detailed in Note 15.

The carrying amount of these contingencies at December 31, 2016 was R$ 1.041 (R$ 771 at December 31, 2015).

d) Risk of variations in the fair value of biological assets

ITAÚSA and its subsidiaries use several estimates to value their forestry reserves, in accordance with the methodology established by CPC 29/IAS 41 – "Agriculture". These estimates are based on market references, and are subject to changes that could impact on the consolidated financial information. Specifically, a 5% reduction in standing wood prices would result in a reduction in the fair value of biological assets to R$ 50, net of tax effects. If the discount rate used were increased by 0.5%, this would result in a reduction in the fair value of biological assets of about R$ 10, net of tax effects.

The methodologies used to estimate the fair value of biological assets are also described in Note 11.

e) Benefits of pension plans

The current value of assets related to pension plans depends on a number of factors that are determined based on actuarial calculations, which use several assumptions (Note 24b). Among the assumptions adopted to calculate these amounts are assumptions regarding the discount rate and the current market conditions. Any changes in these assumptions will affect the corresponding book values.

f) Estimated impairment of goodwill

ITAÚSA and its subsidiaries test goodwill on an annual basis or if there is an indication that the goodwill may be impaired, in compliance with the accounting policy presented in Note 2.4j. The balance could be impacted on by changes in the economic or market scenario.

2.4 SUMMARY OF MAIN ACCOUNTING PRACTICES

a) Consolidation and equity method

I. Subsidiaries

In compliance with CPC 36 / IAS 27 – "Consolidated Financial Statements", subsidiaries are entities over which ITAÚSA holds control. ITAÚSA controls an entity when it is exposed to, or is entitled to, variable returns arising from its involvement with that entity and it is capable of influencing these returns.

The table below shows the fully consolidated subsidiaries and joint ventures that are accounted for under the equity method.

	Incorporation country	Activity	Interest in capital at 12/31/2016	Interest in capital at 12/31/2015
Joint ventures				
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	37.36%	37.36%
Full consolidation				
Duratex S.A.	Brazil	Wood and bathroom porcelain and metals	35.57%	35.53%
Elekeiroz S.A.	Brazil	Chemical products	96.60%	96.60%
Itaúsa Empreendimentos S.A.	Brazil	Service	100.00%	100.00%
Itautec S.A.	Brazil	Information technology	98.93%	97.80%
ITH Zux Cayman Ltd.	Cayman Islands	Holding	100.00%	100.00%
RT Diamond Multimercado Crédito Privado Fundo de Investimento	Brazil	Exclusive investment fund	100.00%	100.00%

II. Business combinations

Accounting for business combinations under CPC 15 / IFRS 3 – "Business Combinations" is applicable when a business is acquired. Under CPC 15 / IFRS 3, 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 and processes applied to those inputs and the resulting outputs that are or will be used to generate income. If there is goodwill inherent in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of businesses, accounting under the acquisitions method is required.

The acquisition cost is measured at the fair value of the assets delivered, 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 their fair value at the acquisition date, regardless of the existence of non-controlling interests. The excess of the acquisition cost over the fair value of identifiable net assets acquired is accounted for as goodwill.

The treatment of goodwill is described in Note 2.4 j. If the acquisition cost is lower than the fair value of the identifiable net assets acquired, the difference is recognized directly in income.

For each business combination, the acquirer should measure any non-controlling interest in the acquired company at the fair value or at an amount proportional to its interest in net assets of the acquired company.

III. Transactions with non-controlling interests

CPC 36 / IAS 27 – "Consolidated Financial Statements" establishes that changes in ownership interests in a subsidiary, that do not result in a change of control are accounted for as capital transactions and any difference between the amount paid and the carrying value of the stake held by non-controlling stockholders is recognized directly in consolidated stockholders' equity.

b) FOREIGN CURRENCY TRANSLATION

I. Functional and presentation currency

The consolidated financial statements of ITAÚSA and its subsidiaries are presented in Brazilian reais. The real is the functional currency of ITAÚSA and its subsidiaries, and the presentation currency of these consolidated financial statements. For each investment held, ITAÚSA and its subsidiaries have defined the functional currency, according to CPC 02 / IAS 21 – "The Effects of Changes in Foreign Exchange Rates and the Translation of Financial statements".

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 translation are recorded in "Cumulative 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income under "financial result".

For financial 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

ITAÚSA and its subsidiaries defines "cash and cash equivalents" as cash and current accounts in banks (included under the heading "Cash and deposits on demand"), securities and financial assets that have original maturities equal to or less than 90 days, as shown in Note 3.

d) FINANCIAL ASSETS

I. Classification

ITAÚSA and its subsidiaries classifies its financial assets, upon initial recognition, depending on the purpose for which they are acquired. The classifications used are: designated at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets.

(a) Financial assets designated at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if it is acquired particularly to be sold in the short term. Assets in this category are classified as current assets.

(b) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity, other than those that the entity designates upon initial recognition as being at fair value through profit or loss.

(c) Loans and receivables

These are non-derivative financial assets that are not quoted in an active market and that have either fixed or determinable payments. Financial assets recognized by ITAÚSA and its subsidiaries in this category of financial instruments are mainly: cash and cash equivalents, trade accounts receivable and securities.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets, which are designated in this category or which are not classified in any of the previous categories.

I. Recognition and measurement

Purchases and sales of financial assets are usually recognized as at the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets are written off when the rights to receive cash flow have expired or have been transferred, in the latter case provided that ITAÚSA and its subsidiaries have substantially transferred all of the risks and benefits of the property. The available-for-sale financial assets are subsequently accounted for at fair value. Loans and receivables are accounted for at amortized cost, based on the effective interest rate method.

Exchange variations on non-monetary financial assets and liabilities, such as investments in shares classified as available for sale, are recognized in the “Other comprehensive income” account, under stockholders’ equity.

When securities classified as available for sale are sold or impaired, accumulated adjustments to the fair value recognized in equity are included in the statement of income as "Financial Result".

Dividends from available-for-sale financial assets, such as investments in shares, are recognized in the statement of income as part of other revenue, when ITAÚSA and its subsidiaries right to receive dividends has been established.

The fair values of investments with public quotations are based on current purchase prices. If the market for a financial asset (and securities not listed on a stock exchange) is not active, ITAÚSA and its subsidiaries establish the fair value based on valuation techniques. These techniques include the use of transactions recently carried out with third parties, reference to other instruments that are substantially similar, discounted cash flow analysis and option pricing models that make the greatest possible use of information generated by the market and that rely to the least extent possible on information generated by the company’s Management itself.

II. Offsetting of financial instruments

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 an intention to settle them or to realize the asset and simultaneously settle the liability.

III. Impairment of financial assets

(i) Assets measured at amortized cost

ITAÚSA and its subsidiaries assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of assets (a "loss event") and that loss event (or events) impact(s) on the estimated future cash flow of a financial asset or group of financial assets that may be reliably estimated.

The criteria adopted by ITAÚSA to determine whether there is objective evidence of impairment loss include:

(i) Significant financial difficulty of the issuer or debtor;
(ii) A breach of contract, such as default or late payment of interest or principal;
(iii) Granting by the group, for economic or legal reasons related to the debtor’s financial difficulty, of concessions to a borrower that a creditor would not usually consider;
(iv) Probability that the debtor will file for bankruptcy or other financial reorganization;
(v) The disappearance of an active market for that financial asset due to financial difficulties; or
(vi) Indications from observable data that there is a measurable reduction in estimated future cash flow based on a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- Adverse changes in the payment condition of the debtors in the portfolio;
- National or local economic conditions that are correlated with default on the assets in the portfolio.

The amount of impairment loss is measured as the difference between the asset´s carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial assets. The book value of the asset is reduced and the loss amount is recognized in the statement of income. If an account receivable or an investment held to maturity has a variable interest rate, the discount rate used to measure an impairment loss is the effective interest rate established in accordance with the agreement. In practice, ITAÚSA and its subsidiaries may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the impairment loss amount decreases and the reduction is objectively related to an event that has taken place after the impairment is recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized loss will be recognized in the statement of income.

(ii) Assets classified as available-for-sale

ITAÚSA and its subsidiaries assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt bonds, Itaúsa and its subsidiaries adopt the criteria mentioned in (I) above.

For investments in securities classified as available-for-sale, a significant or long-lasting decrease in the fair value of the security below its cost is evidence that the asset is impaired. Should there be any evidence of this type 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 the financial asset previously recognized in income (loss) – will be excluded from equity and recognized in the income statement.

If, in a subsequent period, the impairment loss amount decreases and the reduction is objectively related to an event that has taken place after the impairment is recognized, the reversal of this loss will be recognized in the income statement.

e) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date when the derivative agreement is entered into, and are subsequently remeasured at fair value through the results.

Derivatives are contracted as a form of financial risk management, and the ITAÚSA policy is not to enter into leveraged derivative transactions.

Although the Company does not have a hedge accounting policy, it has designated certain debts at fair value through profit or loss, because of the existence of derivative financial assets directly related to loans, as a means of avoiding the recognition of gains and losses in different periods.

f) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded and maintained at the nominal value of the amounts obtained on sales of products, plus exchange variations, where applicable. Trade accounts receivable substantially relate to short-term operations and are, therefore, not discounted to present value as no significant adjustment would arise therefrom. The provision for doubtful receivables (allowance for doubtful accounts or impairment) is constituted based on the analysis of risks regarding the realization of the credits receivable, in amounts considered sufficient by management to cover potential losses on the realization of these assets.

Recoveries of written-off items are credited to "Other operating income", in the statement of income.

g) INVENTORY

Inventories are stated at the average cost of purchase or production, lower than replacement cost or net realizable value, whichever is lower. Imports in transit are stated at the cost of each import.

The cost of finished goods and products in progress comprises raw materials, direct labor, and other direct costs, and the respective direct production costs (based on normal capacity).

The net realizable value is the selling price estimated in the ordinary course of business, less the estimated selling completion and disposal costs.

h) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

I. Associates

In conformity with IAS 28 - Investments in Associates and Joint Ventures, associates are companies in which the investor has a significant influence but does not hold control. 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 ventures

In accordance with CPC 19 / IAS 31 – “Investments in Joint Businesses”, investments in joint businesses are classified as joint operations or joint ventures.

The classification depends on the contractual rights and obligations held by each investor, rather than the legal structure of the joint business.

The share of ITAÚSA and its subsidiaries, in the profits or losses of their unconsolidated companies after acquisition is recognized in the consolidated statement of income. The share of changes in the reserves of corresponding stockholders’ equity of their unconsolidated companies is recognized in their own reserves in stockholders’ equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the share of ITAÚSA and its subsidiaries in the losses of an unconsolidated company is equal to or above their interest in the unconsolidated company, including any other receivables, ITAÚSA and its subsidiaries do not recognize additional losses, unless they have incurred any obligations or made payments on behalf of the unconsolidated company.

Unrealized gains on transactions between ITAÚSA and its subsidiaries and its unconsolidated companies are eliminated to the extent of the interest of ITAÚSA and its subsidiaries. Unrealized losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of unconsolidated companies have been changed, when necessary, to ensure consistency with the policies adopted by ITAÚSA and its subsidiaries.

If the interest in the unconsolidated company decreases, but ITAÚSA and its subsidiaries retains significant influence, only the proportional amount of the previously recognized amounts in “Other comprehensive income” is reclassified in joint control income, when appropriate.

Gains and losses from dilution arising from investments in unconsolidated companies are recognized in the consolidated statement of income under “Share of income in associates and joint ventures”.

i) FIXED ASSETS

In accordance with CPC 27 / IAS 16 – “Property, Plant and Equipment”, fixed assets are recognized at cost of acquisition less accumulated depreciation, which is calculated using the straight-line method and rates based on the estimated useful lives of these assets. These rates are presented in Note 9.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

ITAÚSA and its subsidiaries review their assets in order to identify whether any indication of impairment exists. If such indications are identified, fixed assets are tested for impairment. In accordance with CPC 01 / IAS 36 – “Impairment of Assets”, impairment losses are recognized at the amount for which the carrying amount of the asset (or group of assets) exceeds the recoverable amount, and they are 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 the purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flow can be identified (cash-generating units.). The assessment can be made at an individual asset level when the fair value less cost to sell can be determined reliably.

Gains and losses on disposals of fixed assets are recognized in the consolidated statement of income under “Other (losses)/gains, net”.

j) GOODWILL

In accordance with CPC 15 / IFRS 3 – “Business Combinations”, goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets and liabilities of the entity acquired at the date of acquisition. 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 CPC 01 / IAS 36 – “Impairment of Assets”, a cash-generating unit is the lowest identifiable group of assets that generates cash flow that is 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.

CPC 01 / 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 or its value in use. The impairment losses on goodwill cannot be reversed.

The goodwill of unconsolidated companies is reported as part of the investments in the consolidated balance sheet under “Investments in associates and joint ventures”, and the impairment testing is carried out in relation to the total balance of the investments (including goodwill).

k) INTANGIBLE ASSETS – OTHER 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 if, in the case of intangible assets not arising from separate acquisitions or business combinations, it is probable that future economic benefits will arise from their use. The balance of intangible assets relates to assets acquired or 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 are tested annually in order to identify any indication of impairment.

ITAÚSA and its subsidiaries assess their intangible assets annually in order to identify whether any indications of impairment exist, as well as the possible reversal of previous impairment losses. If any such indications are found, intangible assets are tested for impairment. In accordance with CPC 01 / IAS 36, impairment losses are recognized as 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 or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flow can be separately identified (the cash-generating unit level). The assessment can be made at an individual asset level when the fair value less cost to sell can be determined reliably.

As provided for in CPC 4 / IAS 38 – “Intangible Assets”, ITAÚSA and its subsidiaries have chosen the cost model to measure their intangible assets after their initial recognition.

l) BIOLOGICAL ASSETS

Forest reserves are recognized at their fair value, less estimated costs to sell at harvest time, in accordance with Note 11. For immature plantations (up to one year of life), their cost is considered to be close to their fair value. Gains and losses arising from the recognition of a biological asset at its fair value, less costs to sell, are recognized in the statement of income. The depletion appropriated in the statement of income is formed by the portion of the formation cost and the portion related to the difference of the fair value.

Formation costs of these assets are recognized in income as incurred. The effects of the change in the fair value of the biological asset are stated at a separate account in the income statement.

m) INCOME TAX AND SOCIAL CONTRIBUTION

There are two components of the provision for income tax and social contribution: current and deferred.

The current income tax expense approximates the 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 – income tax and social contribution - current”, respectively.

The deferred income tax and social contribution represent deferred tax assets and liabilities, and are based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year-end. Deferred tax assets, including those arising from tax losses, are only recognized when it is probable that future taxable income will be available for offsetting. 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 expenses are recognized in the consolidated statement of income under “Income tax and social contribution”, except when they relate to items directly recognized in “Cumulative comprehensive income”, such as: deferred tax on the fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. Deferred taxes on such items are initially recognized in “Cumulative comprehensive income” and subsequently recognized in “Income” together with the recognition of the gain/loss originally deferred.

Changes in tax legislation and tax 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 equal for all the reporting periods as follows:

Income tax	15%
Additional income tax	10%
Social contribution	9%

In order to determine the proper level of provision for taxes to be maintained for uncertain tax positions, a two-phase approach has been 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 as the highest tax benefit when its probability of realization is over 50%.

n) EMPLOYEE BENEFITS

Pension plans – defined contribution

The subsidiaries of ITAÚSA offer a defined contribution plan to all employees, managed by Fundação Itaúsa Industrial. The plan regulations provide for contributions by sponsors that range from 50% to 100% of the amount contributed by the employees. ITAÚSA and its subsidiaries have offered this defined contribution plan to their employees in the past, but this plan is being extinguished and no new participants can be enrolled.

Regarding the defined contribution plan, there is no additional payment obligation after the contribution is made. Contributions are recognized as expenses for employee benefits, when due. Contributions made in advance are recognized as an asset in the proportion in which these contributions cause an effective reduction in future payments.

o) STOCK-BASED COMPENSATION

Stock-based compensation is accounted for in accordance with CPC 10 / IFRS 2 – “Share Based Payment”, which requires an entity to measure the value of equity instruments granted, based on their fair value as at the grant dates of the options. This cost is recognized during the vesting period of the right to exercise the instruments.

The total amount to be expensed is determined with reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (notably an employee remaining with the entity over a specified time period). The fulfillment of non-market vesting conditions is included among the assumptions regarding the number of options that are expected to be exercised. At the end of each period the entity revises its estimates regarding the number of options that are expected to be exercised based on non-market vesting conditions. It recognizes the impact of revision to the original estimates, if any, in the statement of income, with a corresponding adjustment to the stockholders’ equity.

When the options are exercised, the subsidiaries generally deliver treasury shares to the beneficiaries.

The fair value of stock options is estimated 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-span of the option.

All stock-based compensation plans established by subsidiaries correspond to plans that can be settled exclusively through the delivery of shares – Note 17.

p) LOANS AND FINANCING

Borrowing is initially recognized at its fair value when funds are received, net of transaction costs, and subsequently stated at amortized cost – that is, with the addition of charges and interest proportional to the period that has elapsed (calculated on a pro rata basis), using the effective interest rate method, except for borrowing that is hedged by derivative instruments, which is stated at fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset in respect of which a substantial period of time is required to prepare it for its intended use or sale, are capitalized as part of the cost of the asset when it is probable that these costs will result in future economic benefits to the entity that can be reliably measured. Other borrowing costs are recognized as expenses in the year in which they are incurred.

q) CAPITAL AND TREASURY SHARES

Capital

Common and preferred shares 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 amount raised, net of taxes.

Treasury shares

Common and preferred shares that are repurchased are recorded in stockholders’ equity under “Treasury shares” at their average purchase prices.

Treasury shares that are subsequently sold, such as those sold to grantees under ITAÚSA’s stock option plan, are recorded as a reduction in “treasury shares”, measured at the average price of treasury stock held at that date.

The difference between the sale price and the average price of the treasury shares is recorded as a reduction or an increase in “Additional paid-in capital” depending upon the circumstances. The cancellation of treasury shares is recorded as a reduction in treasury shares against appropriated reserves, at the average price of the treasury shares at the cancellation date.

r) DIVIDENDS AND INTEREST ON CAPITAL

Pursuant to the Company's bylaws, the stockholders are entitled to a mandatory minimum dividend of 25% of the net income for the year, in the form of quarterly payments, adjusted in accordance with the legislation in force. Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each quarter. Any other amount above the mandatory minimum dividend is accounted for as a liability when it is approved by the stockholders at a Stockholder´s Meeting. Since January 1, 1996, Brazilian companies have been permitted to apply a tax-deductible nominal interest rate charge on net equity (called interest on capital).

For accounting purposes interest on capital is treated as a dividend and is presented as a reduction of stockholders' equity in the financial statements. The related tax benefit is recorded in the statement of income.

s) EARNINGS PER SHARE

Earnings per share are computed by dividing the net income attributable to the owners of ITAÚSA by the weighted average number of common and preferred shares outstanding for each reporting period. The weighted average number of shares is computed based on the periods for which the shares were outstanding.

Earnings per share are presented based on the two types of stock issued by ITAÚSA. 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$ 0.01 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA 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 had been distributed and computed following the requirements of CPC 41 / IAS 33 – “Earnings per Share”.

t) REVENUE

Sales revenue of products and services

Revenue from the sale of products is recognized in income at the time when all risks and benefits inherent in the product are transferred to the purchaser. Revenue is not recognized if there is a significant uncertainty regarding its realization.

u) SEGMENT INFORMATION

CPC 22 / IFRS 8 – “Segment Information” determines that operating segments must be disclosed consistently with the information provided to the chief operating decision-maker, who is the person or group of persons who allocates resources to the segments and assesses their performance. ITAÚSA considers that its Board of Directors is the chief operating decision-maker.

ITAÚSA has the following business segments: the Financial Area and the Industrial Area, subdivided into Duratex, Itautec and Elekeiroz.

Segmental information is presented in Note 25.

NOTE 3 - CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flow, cash and cash equivalents include the following items (amounts with original maturity terms that are equal to or less than 90 days):

	12/31/2016	12/31/2015
Cash and deposits on demand	50	80
Investments in fixed income and investment funds	319	348
Bank deposit certificates	1,399	944
Repurchase agreements	666	802
Total	**2,434**	**2,174**

We point out that in the period were no investment and financing transactions that not have affected cash or cash equivalents.

NOTE 4 - FINANCIAL ASSETS HELD FOR TRADING

	12/31/2016	12/31/2015
Subordinated financial bills	61	61
Financial treasury bills	249	221
Total	**310**	**282**

NOTE 5 - TRADE ACCOUNTS RECEIVABLE

Trade Accounts Receivable	12/31/2016	12/31/2015
Domestic customers	892	864
Foreign customers	105	148
Related parties	37	43
Impairment	(100)	(59)
Total	**934**	**996**

The balances of accounts receivable by maturity are as follows:

Maturities	12/31/2016	12/31/2015
Not yet due	897	931
Past-due up to 30 days	22	29
From 31 to 60 days	7	10
From 61 to 90 days	5	4
From 91 to 180 days	12	8
More than 180 days	91	73
Total	**1,034**	**1,055**

Below are the changes in the allowance for doubtful accounts:

	12/31/2016	12/31/2015
Opening balance	(59)	(43)
Constitution of provision	(49)	(19)
Reversal (income statement)	1	1
Write-offs	7	6
Acquisition of DuchaCorona	-	(4)
Closing Balance	**(100)**	**(59)**

NOTE 6 - OTHER ASSETS AND LIABILITIES

a) Other assets

	12/31/2016			12/31/2015		
	Current	Non-Current	Total	Current	Non-Current	Total
Other financial assets						
Deposits as guarantees for contingent liabilities	-	99	99	-	104	104
Dividends and interest on stockholders' equity receivable	1,004	-	1,004	835	-	835
Amounts receivable from the sale of fixed assets	31	37	68	19	9	28
Retirement plan assets (Note 24)	5	126	131	3	122	125
Government debt certificates	-	10	10	-	10	10
Acquisition escrow accounts	3	20	23	5	12	17
Forest incentives	-	14	14	-	13	13
Electricity sales	9	-	9	10	-	10
Amounts receivable Partnership Oki Electric Industry Co. Ltd.	55	-	55	6	-	6
Other amounts receivable	20	8	28	28	-	28
Total	**1,127**	**314**	**1,441**	**906**	**270**	**1,176**
Other non-financial assets						
Prepaid expenses	14	-	14	6	-	6
Other	-	23	23	7	-	7
Total	**14**	**23**	**37**	**13**	**-**	**13**

b) Other liabilities

	12/31/2016			12/31/2015		
	Current	Non-Current	Total	Current	Non-Current	Total
Suppliers	246	-	246	271	-	271
Personnel provision	115	-	115	147	-	147
Partnerships in which some partners are passive (1)	38	94	132	108	-	108
Advances from customers	8	5	13	22	6	28
Acquisitions of companies	20	32	52	24	33	57
Freight and insurance payable	15	-	15	17	-	17
Commission payable	8	-	8	8	-	8
Acquisitions of reforestation areas	12	-	12	8	-	8
Product warranty and technical support	15	4	19	17	28	45
Commercial leasing	-	10	10	-	10	10
Liabilities provided with joint operation partner	-	22	22	-	11	11
Other	55	39	94	39	12	51
Total	**532**	**206**	**738**	**661**	**100**	**761**

(1) Refers to the value of the participation of third parties in the reforestation projects the group, to which the Duratex subsidiary Duratex Florestal has contributed forest assets, basically forest reserves and the equity holders have contributed in kind.

NOTE 7 – INVENTORY

	12/31/2016	12/31/2015
Raw materials, supplies and packaging	279	381
Finished products	391	366
Work in progress	121	117
Showrooms	121	107
Advances to suppliers	2	3
Allowance for inventory losses	(7)	(6)
Total	**907**	**968**

The cost of inventory recognized in results and included in “Cost of products and services” totaled R$ 3,641 at December 31, 2016 (R$ 3,731 at December 31, 2015).

At December 31, 2016 and 2015, the subsidiaries of ITAÚSA did not have any inventory pledged as collateral.

NOTE 8 – INVESTMENTS

I) ITAÚSA

a) Subsidiaries and joint ventures stockholder' equity

Stockholders' equity	Joint Ventures		Subsidiaries				
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman company Ltd.
Stockholders' equity at 01/01/2015							
Capital	75,000	7,430	1,868	321	272	52	32
Treasury shares	(1,328)	-	(28)	-	-	-	-
Carrying value adjustments	(431)	(332)	405	(1)	-	2	-
Reserves	24,511	17,320	2,298	145	-	52	-
Other	1,508	-	-	-	(163)	-	(31)
Balance at 01/01/2015	**99,260**	**24,418**	**4,543**	**465**	**109**	**106**	**1**
Changes from 01/01 to 12/31/2015	**12,992**	**3,839**	**(11)**	**(10)**	**(32)**	**199**	**1**
Net income	25,740	4,465	183	(11)	(19)	(1)	-
Treasury shares	(2,924)	-	-	-	-	-	-
Dividends and interest on capital	(8,440)	(277)	(254)	-	-	-	-
Other comprehensive income	(859)	(225)	55	1	-	-	-
Other	(525)	(124)	5	-	(13)	200	1
Stockholders' equity at 12/31/2015							
Capital	85,148	12,430	1,868	322	272	262	47
Treasury shares	(4,353)	-	(28)	-	-	-	-
Carrying value adjustments	(1,290)	(557)	459	-	-	-	-
Reserves	31,014	16,384	2,233	133	-	43	-
Other	1,733	-	-	-	(195)	-	(45)
Balance at 12/31/2015	**112,252**	**28,257**	**4,532**	**455**	**77**	**305**	**2**
Changes from 01/01 to 12/31/2016	**10,330**	**2,681**	**38**	**(344)**	**(21)**	**5**	**-**
Net income	23,263	3,916	24	(344)	(15)	5	-
Treasury shares	(160)	-	-	-	-	-	-
Dividends and interest on capital	(9,221)	(317)	(6)	-	-	-	-
Other comprehensive income	(1,984)	(521)	(61)	-	-	-	-
Other	(1,568)	(397)	81	-	(6)	-	-
Stockholders' equity at 12/31/2016							
Capital	97,148	12,430	1,962	322	272	262	45
Treasury shares	(1,882)	-	(28)	-	-	-	-
Carrying value adjustments	(3,274)	(1,078)	398	-	-	-	-
Reserves	28,805	19,586	2,238	8	-	48	-
Other	1,785	-	-	(219)	(216)	-	(43)
Balance at 12/31/2016	**122,582**	**30,938**	**4,570**	**111**	**56**	**310**	**2**

b) Interest in capital of subsidiaries and joint ventures

Below is the composition of the share capital of subsidiaries and joint ventures, and the quantities held by ITAÚSA:

Interest in capital	Joint Ventures		Subsidiaries				
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.
Outstanding Common shares at 12/31/2015	**3,047,037,403**	**710,454,184**	**663,079,679**	**14,518,150**	**11,199,367**	**2,186,700**	**12,200,000**
Shares of capital	3,047,040,198	710,454,184	665,565,438	14,518,150	11,199,367	2,186,700	12,200,000
Treasury shares	(2,795)	-	(2,485,759)	-	-	-	-
Outstanding Preferred shares at 12/31/2015	**2,874,313,101**	**350,942,273**	**-**	**16,967,020**	**-**	**-**	**-**
Shares of capital	3,036,875,751	350,942,273	-	16,967,020	-	-	-
Treasury shares	(162,562,650)	-	-	-	-	-	-
Outstanding shares at 12/31/2015	**5,921,350,504**	**1,061,396,457**	**663,079,679**	**31,485,170**	**11,199,367**	**2,186,700**	**12,200,000**
Number of shares owned by ITAÚSA at 12/31/2015	**1,178,227,819**	**706,169,365**	**235,621,037**	**30,379,121**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,178,125,199	355,227,092	235,621,037	14,261,761	10,953,371	2,186,700	12,200,000
Preferred shares	102,620	350,942,273	-	16,117,360	-	-	-
Direct interest at 12/31/2015							
Interest in capital	19.90%	66.53%	35.53%	96.49%	97.80%	100.00%	100.00%
Interest in voting capital	38.66%	50.00%	35.53%	98.23%	97.80%	100.00%	100.00%
Common shares in circulation at 12/31/2016	**3,351,741,143**	**710,454,184**	**689,298,742**	**14,518,150**	**11,072,186**	**2,186,700**	**12,200,000**
Shares of capital	3,351,744,217	710,454,184	691,784,501	14,518,150	11,199,367	2,186,700	12,200,000
Treasury shares	(3,074)	-	(2,485,759)	-	(127,181)	-	-
Preferred shares in circulation at 12/31/2016	**3,160,958,864**	**350,942,273**	**-**	**16,967,020**	**-**	**-**	**-**
Shares of capital	3,230,563,326	350,942,273	-	16,967,020	-	-	-
Treasury shares	(69,604,462)	-	-	-	-	-	-
Outstanding shares at 12/31/2016	**6,512,700,007**	**1,061,396,457**	**689,298,742**	**31,485,170**	**11,072,186**	**2,186,700**	**12,200,000**
Number of shares owned by ITAÚSA at 12/31/2016	**1,296,050,600**	**706,169,365**	**245,169,699**	**30,379,121**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,295,937,718	355,227,092	245,169,699	14,261,761	10,953,371	2,186,700	12,200,000
Preferred shares	112,882	350,942,273	-	16,117,360	-	-	-
Direct interest at 12/31/2016							
Interest in capital	(1) 19.90%	66.53%	35.57%	(3) 96.49%	98.93%	100.00%	100.00%
Interest in voting capital	(2) 38.66%	50.00%	35.57%	98.23%	98.93%	100.00%	100.00%

(1) Itaúsa holds a direct interest in Itaú Unibanco Holding S.A. of 19.9% and an indirect interest of 17.46% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 26.25% direct interest in Itaú Unibanco Holding S.A., totaling 37.36% interest in the capital.

(2) The direct interest in the common shares of Itaú Unibanco Holding S.A. is 38.66% and the indirect interest is 25.5% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 51% direct interest in the common shares of Itaú Unibanco Holding S.A., totaling 64.16% of the voting capital.

(3) Itaúsa holds a direct interest in Elekeiroz S.A. of 96.49% and an indirect interest of 0.11% through the investment in the subsidiary Itaúsa Empreendimentos S.A., which holds a 0.11% direct interest in Elekeiroz S.A., totaling 96.6% interest in the capital.

c) Change in investments

Investments	Joint Ventures		Subsidiaries					Total
	Itaú Unibanco Holding S.A.	IUPAR - Itaú Unibanco Participações S.A.	Duratex S.A.	Elekeiroz S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.	
Investment balance at 01/01/2015								
Interest in capital	19,413	16,246	1,607	449	106	106	1	37,928
Unrealized income (loss)	(14)	-	-	-	-	-	-	(14)
Fair value - identifiable assets and liabilities	121	-	-	-	-	-	-	121
Balance at 01/01/2015	**19,520**	**16,246**	**1,607**	**449**	**106**	**106**	**1**	**38,035**
Changes from 01/01 to 12/31/2015	**2,896**	**2,554**	**(4)**	**(9)**	**(31)**	**199**	**1**	**5,606**
Share of income	6,098	2,971	65	(11)	(31)	(1)	1	9,092
Dividends and interest on capital	(2,938)	(184)	(90)	-	-	-	-	(3,212)
Capital increase	-	-	-	-	-	200	-	200
Other comprehensive income	(171)	(150)	19	1	-	-	-	(301)
Other	(93)	(83)	2	1	-	-	-	(173)
Investment balance at 12/31/2015								
Interest in capital	22,336	18,800	1,603	440	75	305	2	43,561
Unrealized income (loss)	(13)	-	-	-	-	-	-	(13)
Fair value - identifiable assets and liabilities (Note 23)	93	-	-	-	-	-	-	93
Balance at 12/31/2015	**22,416**	**18,800**	**1,603**	**440**	**75**	**305**	**2**	**43,641**
Market value at 12/31/2015 (*)	**58,179**	**-**	**1,395**	**184**	**164**	**-**	**-**	**59,922**
Changes from 01/01 to 12/31/2016	**2,045**	**1,783**	**16**	**(332)**	**(20)**	**5**	**-**	**3,497**
Share of income	5,979	2,605	9	(332)	(20)	5	-	8,246
Dividends and interest on capital	(3,237)	(210)	(2)	-	-	-	-	(3,449)
Capital increase	-	-	34	-	-	-	-	34
Other comprehensive income	(395)	(346)	(22)	-	-	-	-	(763)
Other	(302)	(266)	(3)	-	-	-	-	(571)
Investment balance at 12/31/2016								
Interest in capital	24,394	20,583	1,619	108	55	310	2	47,071
Unrealized income (loss)	(12)	-	-	-	-	-	-	(12)
Fair value - identifiable assets and liabilities (Note 23)	79	-	-	-	-	-	-	79
Balance at 12/31/2016	**24,461**	**20,583**	**1,619**	**108**	**55**	**310**	**2**	**47,138**
Market value at 12/31/2016 (*)	**81,955**	**-**	**1,623**	**129**	**166**	**-**	**-**	**83,873**

(*) Disclosed only for public companies.

II) ITAÚSA CONSOLIDATED

a) Composition of investments in associates and jointly controlled entities

	Interest % at 12/31/2015		12/31/2015			01/01 to 12/31/2015	
	Total	Voting	Stockholders' equity	Investment balance	Market value	Net income	Share of income
Itaú Unibanco Holding	37.36	64.16	112,252	22,416	58,179	25,740	6,098
IUPAR - Itaú Unibanco Participações	66.53	50.00	28,257	18,800	-	4,465	2,971
Other	-	-	-	-	-	-	(12)
Total				**41,216**			**9,057**

	Interest % at 12/31/2016		12/31/2016			01/01 to 12/31/2016	
	Total	Voting	Stockholders' equity	Investment balance	Market value	Net income	Share of income
Itaú Unibanco Holding	37.36	64.16	122,582	24,461	81,955	23,263	5,979
IUPAR - Itaú Unibanco Participações	66.53	50.00	30,938	20,583	-	3,916	2,605
Other	-	-	-	-	-	-	(*) (5)
Total				**45,044**			**8,579**

(*) Result not arising from the net income of subsidiaries

b) Other information

The table below shows a summary of the financial information of the investees accounted for under the equity method:

Assets and liabilities (*)	12/31/2016	12/31/2015
Assets	**1,353,261**	**1,276,424**
Cash and cash equivalents	96,121	91,649
Financial assets	708,625	651,824
Loan operations and lease operations portfolio	463,394	447,404
Tax assets	44,292	52,158
Other assets	40,829	33,389
Liabilities	**1,219,668**	**1,163,629**
Deposits	329,414	292,610
Securities sold under repurchase agreements	349,164	336,643
Other financial liabilities	331,918	354,046
Reserves for insurance and private pensions	154,076	129,305
Civil, labor, tax and social security lawsuits	20,909	18,994
Other liabilities	34,187	32,031

(*) Basically represented by Itaú Unibanco Holding.

Other Financial Information - Itaú Unibanco Holding	01/01 to 12/31/2016	01/01 to 12/31/2015
Interest and similar income	161,495	147,789
Interest and similar expenses	(95,126)	(75,064)
Net income before income tax and social contribution	38,192	18,265
Income tax and social contribution (*)	(14,610)	7,891
Net income	23,582	26,156
Net income attributable to the owners of the parent company	23,263	25,740
Other comprehensive income	(1,984)	(859)
Total comprehensive income	21,279	24,881

(*) Considering the temporary effects of Law 13,169/15, which increases the social contribution tax rate to 20%, tax credits were accounted for based on their expected realization. There were no unrecorded deferred tax assets at 12/31/2016 e 12/31/2015.

NOTE 9 – FIXED ASSETS

Fixed Assets	Land	Buildings and Improvements	Equipment and facilities	Furniture and fixtures	Vehicles	Assets under development or construction	Other assets	Total
Balance at 12/31/2014								
Cost	727	1,115	4,169	52	56	318	145	**6,582**
Accumulated depreciation	-	(399)	(1,920)	(34)	(46)	-	(98)	**(2,497)**
Net book value	**727**	**716**	**2,249**	**18**	**10**	**318**	**47**	**4,085**
Changes from 01/01 to 12/31/2015	**48**	**9**	**102**	**5**	**-**	**(123)**	**20**	**61**
Acquisitions	13	15	51	5	2	248	18	**352**
Write-offs	(1)	(1)	(4)	-	(1)	(1)	(1)	**(9)**
Depreciation	-	(40)	(296)	(3)	(2)	-	(13)	**(354)**
Transfers	2	46	304	2	1	(370)	15	**-**
Transfers to Investment Properties	(2)	(28)	-	-	-	-	-	**(30)**
Other	36	17	47	1	-	-	1	**102**
Balance at 12/31/2015								
Cost	775	1,138	4,568	60	60	195	174	**6,970**
Accumulated depreciation	-	(413)	(2,217)	(37)	(50)	-	(107)	**(2,824)**
Net book value	**775**	**725**	**2,351**	**23**	**10**	**195**	**67**	**4,146**
Annual depreciation rates (%)	*-*	*4%*	*5% to 20%*	*10%*	*10%*	*-*	*4% to 20%*	

Fixed Assets	Land	Buildings and Improvements	Equipment and facilities	Furniture and fixtures	Vehicles	Assets under development or construction	Other assets	Total
Balance at 12/31/2015								
Cost	775	1,138	4,568	60	60	195	174	**6,970**
Accumulated depreciation	-	(413)	(2,217)	(37)	(50)	-	(107)	**(2,824)**
Net book value	**775**	**725**	**2,351**	**23**	**10**	**195**	**67**	**4,146**
Changes from 01/01 to 12/31/2016	**(20)**	**(60)**	**(253)**	**(3)**	**(1)**	**(78)**	**11**	**(404)**
Acquisitions	1	3	35	1	-	145	15	**200**
Write-offs (1)	(5)	(1)	(37)	-	-	-	(1)	**(44)**
Depreciation	-	(36)	(296)	(3)	(2)	-	(15)	**(352)**
Transfers	-	15	182	1	1	(215)	13	**(3)**
Impairment (2)	-	(9)	(133)	(1)	-	(8)	-	**(151)**
Other	(16)	(32)	(4)	(1)	-	-	(1)	**(54)**
Balance at 12/31/2016								
Cost	755	1,119	4,675	61	60	125	200	**6,995**
Accumulated depreciation	-	(445)	(2,444)	(40)	(51)	-	(122)	**(3,102)**
Impairment	-	(9)	(133)	(1)	-	(8)	-	**(151)**
Net book value	**755**	**665**	**2,098**	**20**	**9**	**117**	**78**	**3,742**
Annual depreciation rates (%)	*-*	*4%*	*5% to 20%*	*10%*	*10%*	*-*	*4% to 20%*	

(1) Basically refers to the write-off of assets from Elekeiroz S.A.'s Plasticizers and Phtalic units of Camaçari, totaling R$ 30, after the completion of utilization studies concluding on the unfeasibility of their resuming operations, taking into account the projected current growth scenario.

(2) Refers to the recognition of impairment of the Elekeiroz S.A.'s Cash Generation Units of Alcohol, Maleic Anhydride, and Polyester Resins, which recorded book values higher than their recoverable amounts. The amount of R$ 151 was recognized in the results under "Other (Losses)/Gains" (Note 20).

NOTE 10 – INTANGIBLE ASSETS

Intangible Assets	Software	Trademarks and patents	Goodwill for future profitability	Customer portfolio	Total
Balance at 12/31/2014					
Cost	74	11	714	412	**1,211**
Accumulated amortization	(48)	(1)	-	(133)	**(182)**
Net value	**26**	**10**	**714**	**279**	**1,029**
Change from 01/01 to 12/31/2015	**7**	**14**	**-**	**(26)**	**(5)**
Acquisitions	18	1	-	-	**19**
Amortization expense	(8)	(1)	-	(27)	**(36)**
Other	1	14	-	1	**16**
Balance at 12/31/2015					
Cost	85	26	714	414	**1,239**
Accumulated amortization	(52)	(2)	-	(161)	**(215)**
Net value	**33**	**24**	**714**	**253**	**1,024**
Annual amortization rates	*20%*	*-*	*-*	*6.67%*	

Intangible Assets	Software	Trademarks and patents	Goodwill for future profitability	Customer portfolio	Total
Balance at 12/31/2015					
Cost	85	26	714	414	**1,239**
Accumulated amortization	(52)	(2)	-	(161)	**(215)**
Net value	**33**	**24**	**714**	**253**	**1,024**
Changes from 01/01 to 12/31/2016	**5**	**(7)**	**5**	**(30)**	**(27)**
Acquisitions	12	1	-	-	**13**
Amortization expense	(7)	(1)	-	(28)	**(36)**
Impairment (1)	(1)	(3)	-	-	**(4)**
Other	1	(4)	5	(2)	**-**
Balance at 12/31/2016					
Cost	98	23	719	412	**1,252**
Accumulated amortization	(59)	(3)	-	(189)	**(251)**
Impairment	(1)	(3)	-	-	**(4)**
Net value	**38**	**17**	**719**	**223**	**997**
Annual amortization rates	*20%*	*-*	*-*	*6.67%*	

(1) Recognition of impairment of exclusive rights to a new technology for production of alcohols, acquired from Coskata Inc. in May 2014, which recorded recoverable amounts below book value. The amount of R$ 4 was recognized in the results under "Other (Losses)/Gains" (Note 20).

Goodwill for future profitability is a result of the following acquisitions:

	12/31/2016	12/31/2015
Acquisitions		
Itaú Unibanco Holding (note 23)	437	437
Satipel	188	188
Thermosystem	26	26
Cerâmica Monte Carlo	22	22
Deca Nordeste	17	17
Duchacorona	5	-
Metalúrgica Jacareí	2	2
Other acquisitions	22	22
Net value	**719**	**714**

NOTE 11 – BIOLOGICAL ASSETS (forest reserves)

ITAÚSA Consolidated, through its subsidiaries Duratex Florestal Ltda., Tablemac S.A. and Caetex Florestal S.A., owns eucalyptus and pine forest reserves that are mainly used as raw materials in the production of wood panels, floors and components, and are also sold to third parties.

These reserves guarantee the supply of wood to ITAÚSA's plants, and they also protect ITAÚSA from the future risk of increases in wood prices. The forest reserves are a sustainable operation and are integrated into ITAÚSA's industrial complexes which, together with the supply network, provides a high level of self-sufficiency in relation to the wood supply.

As of December 31, 2016, these companies had approximately 176.7 thousand hectares in areas of effective planting (170.3 thousand hectares at December 31, 2015) in the states of São Paulo, Minas Gerais, Rio Grande do Sul, Alagoas and Colombia.

a) Fair value estimate

The fair value is determined based on the estimated wood volume at the point of harvest, on the current prices of standing timber, except in the case of (i) eucalyptus forests that have up to one year of life and of pine forests that have up to four years of life, which are stated at cost, as it is understood that these values are close to their fair value; and (ii) forests in the process of growth, for which the discounted cash flow method is adopted.

Biological assets are measured at fair value, less cost to sell at the point of harvest.

The fair value was determined by valuing the estimated volumes at the point of harvest considering the current market prices in view of the volume estimates. The assumptions used were as follows:

i. Discounted cash flow – forecast wood volume at the point of harvest, considering the current market prices, net of realizable planting costs and the capital costs of land used in planting (brought to present value) at the discount rate of 10.1% p.a. at December 31, 2016 and 2015. The discount rate used in cash flow corresponds to the weighted average cost of Duratex S.A., which is reviewed annually by the Management.

ii. Prices – prices in R$/cubic meter through current market prices, disclosed by specialized companies operating in regions and offering products similar to those of Duratex, in addition to the prices set in transactions with third parties, also in active markets.

iii. Differentiation – harvest volumes separated and valued according to (a) species (pine and eucalyptus), (b) region, (c) purpose (saw and process).

iv. Volumes – estimates of volumes to be harvested (sixth year for eucalyptus and 12th year for pine), based on the projected average productivity for each region and species. The average productivity may vary based on age, cropping, climate conditions, quality of seedlings, fires and other natural risks. In relation to formed forests, the current wood volumes are used. Rotating inventory is taken from the second year of life of forests, and their its effects are included in the financial statements.

v. Regularity – expectations regarding future wood prices and volumes reviewed at least every quarter, or when the rotational physical inventory is concluded.

b) Composition of balances

The biological asset balances are composed of the costs of forest planting and the difference between the fair value and the planting costs, as shown below:

	12/31/2016	12/31/2015
Cost of formation of biological assets	966	895
Difference between cost and fair value	563	547
Fair value of biological assets	**1,529**	**1,442**

Forests are free from any liens or guarantees to third parties, including financial institutions. In addition, no forests for which legal title is restricted.

c) Changes

The changes in the accounting balances from the beginning of the period are as follows:

	12/31/2016	12/31/2015
Opening balance	**1,442**	**1,355**
Variations in fair value		
Volume price	158	124
Depletion	(142)	(146)
Variations in historical value		
Formation	178	204
Depletion	(107)	(95)
Closing balance	**1,529**	**1,442**

	01/01 to 12/31/2016	01/01 to 12/31/2015
Effects of variations in the fair value of biological assets	**16**	**(21)**
Variations in fair value	158	125
Depletion of fair value	(142)	(146)

d) Sensitivity Analysis

Among the variables that affect the calculation of the fair value of biological assets, noteworthy are the changes in wood prices and the discount rate used in cash flows. At December 31, 2016, the average price was R$43.32/$m^3$ (R$43.33/$m^3$ at December 31, 2015). Rises in prices lead to increases in the fair value of forests. Each 5% of change in prices cause an impact of about R$75 (R$ 50, net of tax effects) on the fair value of forests. Regarding the discount rate, a rate of 10.1% p.a. was used at both December 31, 2015 and December 31, 2016. Increases in this rate would cause the fair value of the forests to fall. Each change of 0.5% p.a. would affect the fair value by about R$15 (R$ 10, net of tax effects).

NOTE 12 - INCOME TAX AND SOCIAL CONTRIBUTION

ITAÚSA and each of its subsidiaries file separate corporate income tax returns for each fiscal year. Income tax in Brazil comprises income tax and social contribution on net income, which is a tax on income additional to income tax.

a) Composition of income tax and social contribution expense

The amounts recorded as income tax and social contribution expense in the consolidated financial statements reconcile with the statutory rates, as follows:

Current income tax and social contribution	01/01 to 12/31/2016	01/01 to 12/31/2015
Income before income tax and social contribution	**8,037**	**8,976**
Charges (income tax and social contribution) at the current rates	(2,733)	(3,052)
Increase/decrease in income tax and social contribution charges arising from:		
(Additions) / exclusions	**2,912**	**3,070**
Share of comprehensive income of associates and joint ventures	2,917	3,079
Income from foreign investments	7	(2)
Interest on capital	111	113
Reversal of deferred tax assets (*)	(50)	(142)
Temporary Additions with no Recognition of Tax Credits	(84)	-
Other	11	22
Total income tax and social contribution	**179**	**18**

(*) In 2016, refers to the adjustments made at Elekeiroz S.A arising from the write-off of tax credits with expectation of recovery more than 10 years. In 2015, it refers to the reversal of Social Contribution on goodwill amortization at ITAÚSA.

b) Deferred income tax and social contribution

I - The balance and changes in deferred income tax and social contribution are as follows:

	12/31/2014	Realization/ reversal	Increase	12/31/2015
Deferred tax assets				
Tax losses and social contribution losses carried forward	369	(49)	183	503
Allowance for loan losses	6	-	2	8
Adjustment to market value - securities and derivative financial instruments	3	-	-	3
Goodwill on purchases of investments	142	(142)	-	-
Provision for contingent liabilities	189	(13)	72	248
Other	35	(16)	35	54
Total deferred tax assets	**744**	**(220)**	**292**	**816**
Deferred tax liabilities				
Revaluation reserve	(54)	3	-	(51)
Present value of financing	(5)	-	-	(5)
Swap results	(44)	-	(85)	(129)
Depreciation	(105)	96	(1)	(10)
Pension plans	(4)	1	(2)	(5)
Sales of property	(4)	2	-	(2)
Other liabilities	(31)	3	(22)	(50)
Adjustments: CPCs / IFRS	(376)	17	-	(359)
Total deferred tax liabilities	**(623)**	**122**	**(110)**	**(611)**
Deferred tax assets, net	**121**	**(98)**	**182**	**205**

	12/31/2015	Realization/ reversal	Increase	12/31/2016
Deferred tax assets				
Tax losses and social contribution loss carried forward	503	(66)	141	578
Allowance for loan losses	8	(2)	5	11
Adjustments to market value - securities and derivative financial instruments	3	(1)	-	2
Provision for contingent liabilities	248	(19)	94	323
Other	54	(24)	17	47
Total deferred tax assets	**816**	**(112)**	**257**	**961**
Deferred tax liabilities				
Revaluation reserve	(51)	3	-	(48)
Present value of financing	(5)	-	(1)	(6)
Swap results	(129)	97	-	(32)
Depreciation	(10)	-	(3)	(13)
Pension plans	(5)	4	(1)	(2)
Sales of property	(2)	-	(16)	(18)
Other liabilities	(50)	32	(1)	(19)
Adjustments: CPCs / IFRS	(359)	1	-	(358)
Total deferred tax liabilities	**(611)**	**137**	**(22)**	**(496)**
Deferred tax assets, net	**205**	**25**	**235**	**465**

II - The estimated realization of the deferred income tax and social contribution, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies were as follows:

	12/31/2016	12/31/2015
Deferred tax assets	**961**	**816**
Deferred tax assets to be recovered within 12 months	29	55
Deferred tax assets to be recovered after 12 months	932	761
Deferred tax liabilities	**(496)**	**(611)**
Deferred tax liabilities to be recovered after 12 months	(496)	(611)
Deferred tax assets, net	**465**	**205**

NOTE 13 – LOANS AND FINANCING

Type [1]	Charges	Guarantees	12/31/2016 Current	12/31/2016 Non Current	12/31/2015 Current	12/31/2015 Non Current
Duratex						
BNDES	TJLP + 2.2 % p.a.	Surety - Itaúsa	6	-	64	5
BNDES	TJLP + 2.7 % p.a.	Guarantee - Cia Ligna de Investimentos	-	1	-	1
BNDES	TJLP + 2.8 % p.a.	Surety - 70% Itaúsa and 30% natural person	84	65	64	146
BNDES	4.6 % p.a.	Surety - 70% Itaúsa and 30% natural person	4	2	5	7
BNDES	SELIC + 2.16 % p.a.	Surety - 70% Itaúsa and 30% natural person	1	1	1	2
FINAME	TJLP + 2.3 % p.a./ Fixed 6 % p.a.	Chattel Mortgage and Promissory Notes	10	36	8	43
FINAME	6.0 % p.a.	Chattel Mortgage and Guarantee	1	5	-	6
FUNDIEST	30 % IGP-M per month	Guarantee - Cia Ligna de Investimentos	28	74	20	97
FUNDOPEM	IPCA + 3 % p.a.	Surety - 70% Itaúsa and 30% natural person	3	48	2	36
PROINVEST / PRO FLORESTA	IGP-M + 4 % p.a./IPCA + 6 % p.a.	Guarantee - Cia Ligna and Mortgage of Asset	1	-	4	1
EXPORT CREDIT with swap	8.0 % p.a.	-	39	20	1	56
EXPORT CREDIT	104.8 % to 107.5 % of CDI	-	14	693	14	645
DISCOUNT NPR	9.5 % p.a	-	40	-	20	-
EXIM TJLP	TJLP + 3.3 % p.a.	Promissory Note	1	115	-	-
EXIM SELIC	Selic + 3.6 % p.a.	Promissory Note	-	51	-	-
Total local currency			**232**	**1,111**	**203**	**1,045**
BNDES	Basket of currencies + 2.2 % to 2.4 % p.a.	Surety - Itaúsa	1	-	14	1
BNDES	US$ + LIBOR + 1.6 % p.a.	Surety - Itaúsa	1	-	2	1
BNDES	US$ + LIBOR + 2.1 % p.a.	Surety - 70% Itaúsa and 30% natural person	-	-	1	-
ACC	US$ + 3.8 % p.a.	Promissory Note	66	-	-	-
RESOLUTION 4131 with Swap	US$ + Libor + 1.35 % to 1.50 % p.a.	Promissory Note	1	180	110	180
RESOLUTION 4131 with Swap	US$ + 2.11 % to 3.66 % p.a.	Promissory Note	340	387	6	723
Total foreign currency			**409**	**567**	**133**	**905**
Total Duratex			**641**	**1,678**	**336**	**1,950**
Duratex Subsidiaries						
BNDES	3.5 % to 5.5 % p.a.	Surety - 70% Itaúsa and 30% natural person	1	26	1	27
BNDES	TJLP + 2.8 % p.a.	Surety - 70% Itaúsa and 30% natural person	2	52	3	53
FINAME	Fixed 5.6 % to 9 % p.a.	Chattel Mortgage and Surety Duratex S.A.	2	6	1	3
EXPORT CREDIT NOTE	104.9 % of CDI	Surety - Duratex S.A.	7	141	7	141
RURAL CREDIT NOTE with swap	11.5 % p.a.	Surety - Duratex S.A.	-	177	127	-
RURAL CREDIT NOTE	12.75 % p.a.		13	-	-	-
CRA [2]	98 % of CDI	Guarantee - Duratex S.A.	1	693	-	-
Total local currency			**26**	**1,095**	**139**	**224**
SANTADER Bank-HERMES with swap	4.59 % p.a.	Insurance (95%)	-	-	3	5
CII	LIBOR + 3.95 % p.a.	Pledge and Mortgage of Equipment	3	-	2	5
DEG/CII	5.4 % p.a.	Pledge and Mortgage of Equipment	10	2	10	11
LEASING	DTF + 2.0 % p.a	Promissory Note	1	2	-	2
Total foreign currency			**14**	**4**	**15**	**23**
Total Duratex subsidiaries			**40**	**1,099**	**154**	**247**
Elekeiroz						
BNDES	TJLP + 1.72 % to 4.32 % p.a.	Surety - Itaúsa	15	32	23	46
BNDES	IPCA + 1.96 % to 2.26 % p.a.	Surety - Itaúsa	5	7	-	6
BNDES	3.0 % to 6.0 % p.a.	Surety - Itaúsa	1	2	2	3
FINEP	3.5% p.a.	Surety - Itaúsa	2	7	2	10
CREDIT ASSIGNMENT	17.33 % p.a.	-	-	-	23	-
NCE SAFRA	17.31% p.a.	-	-	54	25	-
NCE BRASIL	CDI + 1.32 % p.a.	-	-	-	15	-
VENDOR		-	-	-	2	-
BNB	11.18 % p.a.	Surety - Itaúsa	-	28	-	-
Total local currency			**23**	**130**	**92**	**65**
BNDES	Exchange variation + 2.03 % to 2.16 % p.a.	Surety - Itaúsa	4	7	7	12
NCE - ABC with swap	Exchange variation + 5.6 % p.a.	-	7	13	-	-
PREPAYMENT EXPORT with swap	CDI + 5.22 % p.a.	-	5	1	20	-
4131 - ABC with swap	Exchange variation + 5.23% p.a.	Surety - Itaúsa	30	-	-	-
Total foreign currency			**46**	**21**	**27**	**12**
Total Elekeiroz			**69**	**151**	**119**	**77**
Itautec						
BNDES	TJLP 1.1 % p.a. and 3.1% p.a. / 5.6% p.a.	Banking Guarantee	-	-	3	-
FINEP	4.0 % p.a.	Surety - Itaúsa	14	4	15	19
BB 4131	105.6 % of CDI	-	-	-	11	-
ALFA CG	114.8 % to 115 % of CDI	-	16	-	30	-
Total local currency			**30**	**4**	**59**	**19**
Total Itautec			**30**	**4**	**59**	**19**
Total Itaúsa Consolidated			**780**	**2,932**	**668**	**2,293**

(1) Certain loans and financing (identified in the table above as "with Swap") were designated at fair value through profit or loss.

Maturities	12/31/2016	12/31/2015
2017	-	552
2018	869	483
2019	765	732
2020	483	423
2021	82	79
2022	711	10
2023	9	7
2024	7	7
Other	6	-
Total	**2,932**	**2,293**

NOTE 14 – DEBENTURES

On September 26, 2016, Duratex paid the amount of R$ 145 to these Debenture Holders, as the early maturity of these instruments had been declared at the Debenture Holders' General Meeting, held on September 23, 2016, and communicated by a Notice to Debenture Holders on that same day.

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

ITAÚSA and its subsidiaries record provision for tax, labor and civil contingencies in the ordinary course of business.

The respective provision is recognized based on the probability of loss as assessed by the legal advisors of the group.

Relying on the opinion of legal advisors, Management believes that the provision for contingencies recognized is sufficient to cover any loss that may possibly be incurred in any legal action or administrative proceedings.

a) Contingent assets

ITAÚSA and its subsidiaries are discussing in court the refund of taxes e contributions, and they are also a part in civil proceedings in which they have rights receivable or expected rights.

The table below shows the main lawsuits in which, based on the opinion of the legal advisors, a favorable outcome to the company is considered probable, and the amounts related to these lawsuits that are not recognized in the financial statements.

	12/31/2016	12/31/2015
Tax lawsuits	**230**	**226**
IPI bonus credit from 1960 to 1985	136	135
Monetary adjustment of credits from Eletrobrás	14	13
Recovery of ILL paid with dividends distributed between 1989 and 1992	-	14
INSS - SAT, change in rural rate, transportation voucher and health insurance	47	33
Integration program tax on revenue ("PIS") and social security funding tax on revenue ("COFINS")	4	4
Offsetting of PIS Decree-Laws 2445 and 2449, of 1988	-	18
Corporate Income Tax - Request for Revision	18	-
Other	11	9
Civil lawsuits	**17**	**16**
Collection/execution of out-of-court instruments	14	13
Other	3	3
Total	**247**	**242**

b) Provision

Tax: Provisions is equivalent to the principal amounts of taxes involved in tax, administrative or judicial proceedings, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is accrued when it involves a legal liability, regardless of the likelihood of loss – that is, whether an outcome favorable to the institution is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, the provision is recognized whenever the likelihood of loss is probable.

Labor: Relates to claims in relation to alleged labor rights deriving from overtime, occupational disease, salary equivalence, and involving subsidiary liability.

Civil: Civil lawsuits mainly refer to pain and suffering and property damage.

Following the movement of provision and balances of the judicial deposits:

	Tax	Labor	Civil	Total
Balance at 12/31/2014	**484**	**76**	**19**	**579**
Monetary adjustment	56	18	2	76
Increase	148	37	1	186
Reversal	(18)	(25)	(4)	(47)
Payments	(6)	(25)	(1)	(32)
Acquisition DuchaCorona	-	6	3	9
Balance at 12/31/2015	**664**	**87**	**20**	**771**
Escrow deposits	(14)	(14)	-	(28)
Balance at 12/31/2015 after the offset of escrow deposits	**650**	**73**	**20**	**743**
	Tax	**Labor**	**Civil**	**Total**
Balance at 12/31/2015	**664**	**87**	**20**	**771**
Monetary adjustment	83	21	3	107
Increase	189	34	3	226
Reversal	(17)	(12)	(3)	(32)
Payments	-	(30)	(1)	(31)
Balance at 12/31/2016	**919**	**100**	**22**	**1,041**
Escrow deposits	(30)	(15)	-	(45)
Balance at 12/31/2016 after the offset of escrow deposits	**889**	**85**	**22**	**996**

The main discussions related to tax provision are as follows:

- PIS and COFINS – calculation basis – R$ 821: the right to calculate and pay contributions to PIS and COFINS without including the amounts received as interest on capital in the calculation is under discussion.

c) Contingent liabilities

ITAÚSA and its subsidiaries are involved in tax, civil and labor lawsuits, which, in the opinion of their legal advisors, present possible losses and for which provision is not recognized.

At December 31, 2016, these lawsuits totaled R$ 864 for tax lawsuits, R$ 40 for labor claims and R$ 7 for civil lawsuits.

The main disputes in tax lawsuits that have a probability of possible loss are related to the following topics:

- Income tax withheld at source, income tax, social contribution, PIS and COFINS – request for offset denied – R$ 354: cases in which the liquidity and certainty of offsetting credits are being discussed;
- Taxation of revaluation reserve – R$ 260: discussion related to taxation of revaluation reserve in corporate spin-off operations carried out in the period from 2006–2009;
- PIS and COFINS – disallowance of credits – R$ 97: the restriction regarding the right to credits in connection with certain inputs related to these contributions is being disputed;
- Differences in accessory obligations – R$ 19: there is a discussion regarding possible differences within the information included in the accessory obligations;
- Income tax and social contribution – profit made available abroad – R$ 14: discussion of the calculation basis for the levying of these taxes on profits earned abroad;
- IRPJ and CSLL – disallowance of credits - R$ 12: Deduction of tax paid overseas by the parent company is being disputed.

NOTE 16 – ITAÚSA STOCKHOLDERS' EQUITY

a) Capital

At the Annual and Extraordinary Stockholders' Meeting held on April 29, 2016, the following proposals submitted by the Board of Directors were approved:

- cancellation of 4,155,240 book-entry shares of own issue in treasury, of which 2,155,240 are common shares and 2,000,000 are preferred shares, with no capital reduction, through the absorption of R$ 33 from Statutory Reserves.

- Capital increase by R$ 4,080, through capitalization of amounts recorded in Revenue Reserves, of which R$ 580 from Legal Reserve, R$ 285 from Reserve for dividends equalization, R$ 1,724 from Reserve for working capital increase, and R$ 1,491 from increase in capital of investees;

- Issue of 675,464,328 new book-entry shares, with no par value, of which 259,539,186 are common and 415,925,142 are preferred shares, assigned to stockholders free of charge as bonus shares, in the proportion of one (1) new share for each ten (10) shares of the same type held at the end of April 29, 2016;

- Increase in the authorized capital limit in the same proportion to the bonus shares provided for in the aforementioned item, to 9,075,000,000 from 12,000,000,000 book-entry shares, with no par value, of which up to 4,000,000,000 are common and up to 8,000,000,000 are preferred shares.

After these events, the Company's capital was increased to R$ 36,405, represented by 7,430,107,624 book-entry shares, with no par value, of which 2,854,931,054 are common and 4,575,176,570 are preferred shares without voting rights, but with the following advantages:

- Priority receipt of a non-cumulative annual minimum dividend of R$ 0.01 per share;

- The right, during a possible disposal of control, to be included in the public offering of shares, so as to be entitled to a price equal to 80% of the amount paid for a share with voting rights, which is part of the controlling stake, and dividends equal to those of the common shares.

The table below shows the breakdown of and changes in shares of paid-in capital and the reconciliation of the balances at December 31, 2016 and 2015:

	Number			Amount
	Common	Preferred	Total	
Shares outstanding at 12/31/2014	**2,344,705,507**	**3,755,390,279**	**6,100,095,786**	**27,025**
Changes in shares of paid-in capital from 01/01 to 12/31/2015	**245,123,401**	**403,541,149**	**648,664,550**	**5,300**
Capital increase based on capitalization of revenue reserves	-	-	-	5,000
Cancellation of treasury stock	(8,227,800)	(2,320,000)	(10,547,800)	-
10% bonus shares	236,140,646	378,295,584	614,436,230	-
Subscription of shares	17,210,555	27,565,565	44,776,120	300
Shares of capital stock at 12/31/2015	**2,597,547,108**	**4,161,251,428**	**6,758,798,536**	**32,325**
Residents in Brazil	2,596,527,796	2,755,241,873	5,351,769,669	25,596
Residents abroad	1,019,312	1,406,009,555	1,407,028,867	6,729
Treasury shares at 12/31/2015 (*)	**(2,155,240)**	**(2,000,000)**	**(4,155,240)**	**-**
Treasury shares at 12/31/2014	(7,718,200)	(2,320,000)	(10,038,200)	-
Shares purchased	(2,635,200)	(2,000,000)	(4,635,200)	-
10% bonus shares	(29,640)	-	(29,640)	-
Cancellation of treasury stock	8,227,800	2,320,000	10,547,800	-
Shares outstanding at 12/31/2015	**2,595,391,868**	**4,159,251,428**	**6,754,643,296**	**32,325**
Changes in shares of paid-in capital from 01/01 to 12/31/2016	**257,383,946**	**413,925,142**	**671,309,088**	**4,080**
Capital increase based on capitalization of revenue reserves	-	-	-	4,080
Cancellation of treasury stock	(2,155,240)	(2,000,000)	(4,155,240)	-
10% bonus shares	259,539,186	415,925,142	675,464,328	-
Shares of capital stock at 12/31/2016	**2,854,931,054**	**4,575,176,570**	**7,430,107,624**	**36,405**
Residents in Brazil	2,854,100,005	2,735,820,552	5,589,920,557	27,389
Residents abroad	831,049	1,839,356,018	1,840,187,067	9,016
Treasury shares at 12/31/2016 (*)	**(26,819,000)**	**-**	**(26,819,000)**	**-**
Treasury shares at 12/31/2015	(2,155,240)	(2,000,000)	(4,155,240)	-
Shares purchased	(26,819,000)	-	(26,819,000)	-
Cancellation of treasury stock	2,155,240	2,000,000	4,155,240	-
Shares outstanding at 12/31/2016	**2,828,112,054**	**4,575,176,570**	**7,403,288,624**	**36,405**

(*) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market, at the average unit cost of R$ 7.61 (R$ 8.53 at December 31, 2015) for common shares and R$ 7.38 at December 31, 2015 for preferred shares.

b) Dividends

Stockholders are entitled to a mandatory minimum dividend of not less than 25% of the adjusted net income pursuant to the provisions of the Brazilian Corporate Law. Both common and preferred shares participate equally in the dividend, after the common shares have received dividends equal to the minimum priority dividend of R$ 0.01 per share to be paid on preferred shares. The minimum dividend may be paid in four or more installments, at least quarterly or at shorter intervals.

The calculation of the quarterly 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, amounting to R$ 0.015 per share.

I. Calculation

Net income	8,211	
(-) Legal reserve	(411)	
Dividend calculation basis	7,800	
Mandatory minimum dividend	**1,950**	**25.00%**
Proposed dividend	**3,734**	**47.87%**

II. Provision for interest on capital and dividends

	Gross	WTS	Net
Paid	**807**	**(88)**	**719**
Dividends	**222**	**-**	**222**
One quarterly installment of R$ 0.015 per share paid on 07/01/2016	111	-	111
One quarterly installment of R$ 0.015 per share paid on 10/03/2016	111	-	111
Interest on capital	**585**	**(88)**	**497**
One installment of R$ 0.0790 per share paid on 08/25/2016	585	(88)	497
Provided for	**2,155**	**(306)**	**1,849**
Dividends	**111**	**-**	**111**
One quarterly installment of R$ 0.015 per share paid on 01/02/2017	111	-	111
Interest on capital	**2,044**	**(306)**	**1,738**
One installment of R$ 0.2280 per share to be paid on 03/03/2017	1,688	(253)	1,435
One installment of R$ 0.0480 per share to be paid on 03/03/2017	356	(53)	303
Provided for / To be declared	**1,353**	**(187)**	**1,166**
Dividends	**111**	**-**	**111**
One quarterly installment of R$ 0.015 per share to be paid on 04/03/2017	111	-	111
Interest on capital (Registered in Revenue Reserves)	**1,242**	**(187)**	**1,055**
One installment of R$ 0.0490 per share to be paid on 03/03/2017	363	(55)	308
One installment of R$ 0.1188 per share to be paid on 04/06/2017	879	(132)	747
Total at 12/31/2016 - R$ 0.5044 net per share	**4,315**	**(581)**	**3,734**
Total at 12/31/2015 - R$ 0.3655 net per share (1)	**3,035**	**(318)**	**2,717**

(1) For comparative purposes, we considered bonuses.

c) Appropriated reserves

- **Legal reserve**

The legal reserve is recognized at 5% of the net income for each year, pursuant to Article 193 of Law No. 6,404/76, amended by Law No.11,638/07 and Law No.11,941/09, up to the limit of 20% of capital.

- **Statutory reserves**

These reserves are recognized with the aim of:

- Dividend equalization with the purpose of guaranteeing funds for the payment of dividends, including interest on capital or advances thereon, to maintain the flow of the stockholders' compensation;

- Increasing working capital, guaranteeing funds for the company's operations; and

- Increasing the capital of investees, to guarantee the preemptive rights of subscription to the capital increases of investees.

	12/31/2016	12/31/2015
Revenue reserves	**12,370**	**12,654**
Legal	954	1,123
Statutory	11,416	11,531
Dividend equalization	5,402	4,535
Working capital increases	2,110	3,170
Increases in the capital of investees	2,662	3,108
Proposal for distribution of additional dividends (*)	1,242	718
Other reserves	**707**	**687**
Total reserves at parent company	**13,077**	**13,341**

(*) Refers to dividends and interest on capital declared after December 31 of each period.

Details of reserves	Revenue reserves		Other reserves	Total reserves
	Legal reserve	Statutory reserves		
Balance at 12/31/2015	**1,123**	**11,531**	**687**	**13,341**
Recognition of reserves	411	3,485	-	**3,896**
Cancellation of treasury stock	-	(33)	-	**(33)**
Increase in capital based on reserves	(580)	(3,500)	-	**(4,080)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	1,242	-	**1,242**
Dividend amount in addition to the minimum mandatory dividend for prior years	-	(718)	-	**(718)**
Transactions with subsidiaries and jointly controlled companies	-	(591)	20	**(571)**
Balance at 12/31/2016	**954**	**11,416**	**707**	**13,077**

d) Unappropriated reserves

This refers to the balance of profit remaining after the distribution of dividends and appropriations to the legal reserve. This reserve is recognized after a resolution of the Board of Directors, at the Annual Stockholders' Meeting, in the year subsequent to that for which the financial statements are issued.

NOTE 17 – SHARE-BASED PAYMENTS

Stock option plan of subsidiaries

a) Duratex S.A.

As set forth in the bylaws, Duratex S.A. has a stock option plan, the purpose of which is to integrate its executives into the company's development process in the medium and long term, providing them with the option of benefiting from the value that their work and dedication add to Duratex's capital stock.

The options will entitle their holders to subscribe to the common shares of Duratex, subject to the conditions established in the plan.

The rules and operating procedures related to the plan will be proposed by the Personnel Committee, appointed by the company's Board of Directors. This committee will periodically submit proposals regarding the application of the plan to the approval of the Board of Directors.

Options may only be granted in years in which there are sufficient profits to distribute mandatory dividends to stockholders. The total number of options to be granted during each year will not exceed the limit of 0.5% of the total shares held by Duratex that the controlling and non-controlling interest holders own on the date of that year-end balance sheet.

The exercise price to be paid to Duratex is established by the Personnel Committee at the option granting date. The exercise price will be calculated by the Personnel Committee based on the average prices of Duratex´s common shares at the BM&FBOVESPA trading sessions, over a period of at least five and at most 90 trading sessions prior to the option issue date; at the discretion of that committee, which will also decide on the positive or negative adjustment of up to 30%. The established prices will be adjusted up to the month prior to the exercise of the option at the IGP-M or, in its absence, using an index established by the Personnel Committee.

Assumptions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2016
Total stock options granted	2,659,180	2,787,050	2,678,901	2,517,951	1,333,914	1,875,322	1,315,360	1,561,061	1,966,869	1,002,550
Exercise price at the grant date	11.16	11.82	15.34	9.86	16.33	13.02	10.21	14.45	11.44	5.74
Fair value at the grant date	9.79	8.88	7.26	3.98	7.04	5.11	5.69	6.54	4.48	4.00
Exercise deadline	10 years	10 years	10 years	8 years	8 years	8,5 years	8,8 years	8,9 years	8,1 years	8,9 years
Vesting period	1,5 years	1,5 years	1,5 years	3 years	3 years	3,5 years	3,8 years	3,9 years	3,10 years	3,9 years

To determine this value, the following economic assumptions were adopted:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2016
Volatility of share price	34.80%	36.60%	36.60%	46.20%	38.50%	32.81%	37.91%	34.13%	28.41%	39.82%
Dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk-free return rate (1)	8.90%	7.60%	7.20%	6.20%	7.10%	5.59%	4.38%	3.58%	6.39%	6.95%
Effective exercise rate	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%

(1) IGP-M coupon

The Company carries out the settlement of this benefit by delivering its own shares held in treasury up to the date of effective exercise of the options by the executives.

In 2015 there was not the Company's stock option grant.

Granting date	Granted number	Maturity date	Exercise deadline	Granting price	To be exercised Dec/15	To be exercised Dec/16	Option price	Total amount	Periods 2007 to 2014	Periods 2015	Periods 2016	Other periods
02/08/2006	2,659,180	06/30/2007 to	12/31/2016	11.16	59,113	-	9.79	1	1	-	-	-
01/31/2007	2,787,034	06/30/2008 to	12/31/2017	11.82	1,469,581	1,294,078	8.88	25	25	-	-	-
02/13/2008	2,678,887	06/30/2009 to	12/31/2018	15.34	1,543,474	1,340,260	7.26	19	19	-	-	-
06/30/2009	2,517,937	06/30/2012 to	12/31/2017	9.86	867,236	839,525	3.98	9	9	-	-	-
04/14/2010	1,333,914	12/31/2013 to	12/31/2018	16.33	1,471,579	808,763	7.04	9	9	-	-	-
06/29/2011	1,875,322	12/31/2014 to	12/31/2019	13.02	2,014,061	1,523,797	5.11	9	9	-	-	-
04/09/2012	1,290,994	12/31/2015 to	12/31/2020	10.21	1,010,991	780,997	5.69	6	5	1	-	-
04/17/2013	1,561,061	12/31/2016 to	12/31/2021	14.45	1,648,699	1,222,907	6.54	8	5	3	2	-
02/11/2014	1,966,869	12/31/2017 to	12/31/2022	11.44	2,154,616	2,144,813	4.48	9	2	2	2	2
03/09/2016	1,002,550	12/31/2019 to	12/31/2024	5.74	-	1,002,550	4.00	6	-	-	1	5
Sum	**19,673,748**				**12,239,350**	**10,957,690**		**101**	**84**	**6**	**5**	**7**
Exercise effectiveness								**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**
Computed value								**98**	**81 (1)**	**6 (2)**	**5 (3)**	**6 (4)**

(1) Amount charged to income from 2007 to 2014.
(2) Amount charged to income in 2015.
(2) Amount charged to income in 2016.
(4) Value charged to income in other periods.

At December 31, 2016, Duratex S.A. had 2,485,759 treasury shares, which might be used in a possible option exercise.

b) Itautec S.A.

The company had a stock option plan up to 2006, the purpose of which was to integrate its executives into the company’s development process in the medium and long term, by providing them with the option of benefiting from the value that their work and dedication added to the company's shares.

This plan was managed by a committee and the options granted were approved by the Board of Directors. At present, it is subject to study and review by the Board of Directors. The participants of the plan were chosen at the sole discretion of the committee, from among the company’s executives.

The price established for the granting of stock options was based on the average quotation of the company’s shares in BM&FBOVESPA trading sessions, comprising a period of at least one month and at most 12 months prior to the option issue date.

At the discretion of the committee, a positive or negative adjustment of up to 50% of the average price was made.

c) Elekeiroz S.A.

Stock option plan

With the purpose of integrating the managers and employees into the company’s development process in the medium and long term, the Extraordinary Stockholders’ Meeting held on July 31, 2003 resolved to adopt a stock option plan, providing to directors the option of benefiting from the value that their work and dedication may add to the company's capital. Up to the closing of these financial statements. No grants have been made under this plan that would produce effects that would have to be recognised in the accounting records.

NOTE 18 – NET SALES REVENUE OF PRODUCTS AND SERVICES

	01/01 to 12/31/2016	01/01 to 12/31/2015
Gross revenue from sales of products and services	**5,866**	**6,165**
Domestic market	5,005	5,410
Foreign market	861	755
Taxes and contributions on sales	(1,179)	(1,280)
Net revenue from sales of products and services	**4,687**	**4,885**

NOTE 19 – EXPENSES, BY NATURE

	01/01 to 12/31/2016	01/01 to 12/31/2015
Variation in fair value of biological assets	158	125
Variations in the inventories of finished products and work in process	358	484
Raw materials and consumption materials	(2,677)	(2,853)
Remuneration, charges and benefits to employees	(956)	(937)
Depreciation, amortization and depletion	(607)	(598)
Transport expenses	(321)	(298)
Advertising expenses	(145)	(145)
Other expenses	(387)	(446)
Total	**(4,577)**	**(4,668)**

The expenses by nature described above represent the following captions of the statement of income:

	01/01 to 12/31/2016	01/01 to 12/31/2015
Cost of products and services	(3,641)	(3,731)
Sales expenses	(629)	(621)
General and administrative expenses	(307)	(316)
Total	**(4,577)**	**(4,668)**

NOTE 20 – OTHER (LOSSES)/GAINS, NET

	01/01 to 12/31/2016	01/01 to 12/31/2015
Provision for contingencies - reversal	(24)	(12)
Write-off of surplus of pension plan	14	(12)
Amortization of intangible assets	(31)	(31)
Options granted and recognized	(5)	(18)
Losses on sales of other investments and fixed assets	84	45
PIS and COFINS credits on acquisitions of raw materials	20	27
Rental revenue	10	11
Gain from a bargain purchase on acquisition Nexoleum S.A.	5	-
Decommissioning of Product Lines (1)	(62)	-
Allowance for loan losses (2)	(22)	-
Impairment of fixed and intangible assets (3)	(155)	-
Other	(5)	13
Total	**(171)**	**23**

(1) Expenses on decommissioning of Elekeiroz S.A's product lines, of which R$ 30 refers to write-off of fixed assets, R$ 15 to recognition of provision for line disassembling, R$ 11 to compensation for downtime of lines, and R$ 6 to inventory write-off.
(2) Complementary allowance for loan losses for clients going through judicial reorganization process, and other, including the additional adjustment of R$ 20 in December at Elekeiroz S.A..
(3) Elekeiroz S.A. recorded impairment of the Oxo-alcohol, maleic and resins units, in the amounts of R$ 135, R$ 11, and R$ 9, respectively.

NOTE 21 – FINANCIAL RESULT

	01/01 to 12/31/2016	01/01 to 12/31/2015
Financial income		
Remuneration on financial investments	301	285
Foreign exchange variations	7	61
Indexation adjustment	49	58
Interest and discount obtained	14	34
Other	14	8
Total	**385**	**446**
Financial expenses		
Charges on financing	(106)	(685)
Foreign exchange variations	(28)	(65)
Indexation adjustment	(91)	(63)
Derivatives	(312)	320
Bank charges	(10)	(9)
Other	(29)	(35)
Total	**(576)**	**(538)**
Total financial result	**(191)**	**(92)**

NOTE 22 – EARNING PER SHARE

The basic and diluted earnings per share were computed pursuant to the table below for the years indicated.

The basic earnings per share are computed by dividing the net income attributable to the stockholders of ITAÚSA by the average number of shares for the year, and by excluding the number of shares purchased and held as treasury shares.

Diluted earnings per share are computed in a similar way, but with the adjustment made to the denominator when assuming the conversion of all shares that may dilute earnings.

Net income attributable to owners of the parent company	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income	**8,211**	**8,868**
Minimum non-cumulative dividend on preferred shares in accordance with bylaws	(46)	(46)
Subtotal	**8,165**	**8,822**
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(28)	(29)
Subtotal	**8,137**	**8,793**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis		
To common equity owners	3,117	3,379
To preferred equity owners	5,020	5,414
Total net income available to common equity owners	**3,145**	**3,408**
Total net income available to preferred equity owners	**5,066**	**5,460**
Weighted average number of shares outstanding		
Common shares	2,841,521,554	2,851,347,945
Preferred shares	4,575,176,570	4,568,368,454
Earnings per share – basic and diluted - R$		
Common shares	1.11	1.20
Preferred shares	1.11	1.20

The impact from the dilution of earnings per share is lower than R$ 0.01.

NOTE 23 – BUSINESS COMBINATION

In May 2010, Bank of America Corporation sold its interest in the capital of Itaú Unibanco Holding. Preferred shares were traded in the market and common shares were purchased by ITAÚSA, which increased its direct and indirect interest in the capital of Itaú Unibanco Holding from 35.46% to 36.57%.

At June 30, 2010, was determined as the date for the application of the acquisition method set forth in CPC 15 / IFRS 3 – "Business Combinations". The application of the acquisition method involved the recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree, and the recognition and measurement of goodwill or gains arising from a bargain purchase.

On the purchase date, ITAÚSA recorded goodwill of R$ 809, include:

(i) Identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree;
(ii) The consideration for the control of the purchased company; and
(iii) Goodwill or gains arising from a bargain purchase.

The table below shows the balance of identifiable assets and liabilities and the amount of goodwill computed proportionally to the acquisition of 1.22%:

	12/31/2015	Amortization/ Realization	12/31/2016
Intangible assets subject to amortization			
Customer relationships	32	(5)	27
Exclusive access to retail customers and real estate brokers	55	(18)	37
Others	1	-	1
Total intangible assets subject to amortization (I)	**88**	**(23)**	**65**
Intangible assets not subject to amortization			
Hipercard brand	2	-	2
Itaú brand	65	-	65
Total intangible assets not subject to amortization (II)	**67**	**-**	**67**
Total allocated to intangible assets (III = I + II)	**155**	**(23)**	**132**
Deferred tax liability (IV)	**(62)**	**9**	**(53)**
Total goodwill allocated (V = III + IV)	**93**	**(14)**	**79**
Goodwill	**437**	**-**	**437**

Identifiable intangible assets subject to amortization are recorded in income for a period of 2 to 16 years, according to the useful life defined based on the expected future economic benefits generated by the asset.

Intangible assets not subject to amortization and the residual goodwill, which also represents the expected future economic benefits, do not have defined useful lives, and will have their recoverability tested at least annually by Management.

This purchase of shares represented an increase in the interest of ITAÚSA, and most of the identifiable assets and liabilities were recorded in ITAÚSA based on criteria that were similar to those for previously recorded operations, before the increase in interest. Likewise, the same approach was followed for the income, expenses and net income of ITAÚSA.

NOTE 24 – POST-EMPLOYMENT BENEFITS

As prescribed in CPC 33 / IAS 19 - “Employee Benefits”, we present the policies adopted by subsidiaries of ITAÚSA in relation to employee benefits, as well as the accounting procedures adopted.

ITAÚSA’s subsidiaries in Brazil are part of a group of companies that sponsor Fundação Itaúsa Industrial, a not-for-profit organization the purpose of which is to manage private plans for the concession of bonus plans or supplementary income or benefits similar to those conferred by the official government retirement plan. Fundação Itaúsa manages a defined contribution plan – PAI-CD (the "CD Plan”) and a defined benefit plan–BD (the ”BD Plan”).

Employees hired by the industrial and services area companies have the option of voluntarily participating in the CD Plan, managed by Fundação Itaúsa Industrial.

(a) Defined contribution plan – CD Plan

This plan is offered to all employees of sponsor companies and had 8,940 participants at December 31, 2016 (9,356 at December 31, 2015).

The CD Plan (an individual retirement plan) offers no actuarial risk and the investment risk is borne by the participants.

Pension Program Fund

Contributions made by sponsors that remained in the plan because the participants had opted for redemption or early retirement, formed the Formed the Pension Fund which, according to the internal rules of the plan, has been used to offset contributions made by the sponsors.

The amount recorded in the balance sheet under “Other financial assets” (Note 6a) is R$ 117 (R$ 119 at December 31, 2015). The amount of R$ 2 was recognized in the results (R$ 12 was recorded in result at December 31, 2015).

(b) BD Plan

This plan has as its basic purpose the granting of benefits that, as a lifetime monthly income, are intended to supplement, pursuant to its terms, the income paid by the official government retirement plan. This plan is no longer available, which means that no new participants will be admitted to it.

The plan includes the following benefits: a supplement to the governmental retirement plan, payable based on the time of contribution, special circumstances, age, disability, lifetime monthly income, retirement premium and death bonus.

The allocation of a portion of the Special Reserve of the Defined Benefit Plan, managed by Fundação Itaúsa Industrial, to the sponsors and participants of the plan, was approved by Brazilian Superintendency of Supplementary Retirement Plans (Previc) on July 4, pursuant to Ordinance No. 306, published in the Federal Official Gazette (DOU) of July 5, 2016. In accordance with the request approved, it will be incumbent upon Itaúsa’s subsidiaries to return an amount of R$ 16 (June values).

The aforementioned amount will received in thirty six (36) monthly and consecutive installments in last business day of each month, starting in July 2016, already restated in accordance with the return on investments of respective Defined Benefit Plan up to the month previous to the credit.

At December 31, 2016, Other Financial Assets (Note 6a) recorded in the balance sheet amounted to R$ 14, payable in thirty (30) monthly installments.

Main assumption used

	12/31/2016	12/31/2015
Discount rate	11.14% p.a.	12.60% p.a.
Mortality table (1)	AT-2000	AT-2000
Turnover	Null	Null
Future salary growth	7.23 % p.a.	7.38 % p.a.
Growth of the pension benefit /plans	4.85 % p.a.	5.00 % p.a.
Inflation	5.85 % p.a.	5.00 % p.a.

(1) The mortality tables adopted correspond to those disclosed by the Society of Actuaries, the North American entity equivalent to the Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probability of survival compared to the respective basic tables; the life expectancies in years according to the AT-2000 mortality table for participants of 55 years of age are 27 and 31 years for men and women, respectively.

NOTE 25 – SEGMENT INFORMATION

In accordance with the standards in force, an operating segment may be understood as a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's chief operating decision – makers in order to make decisions about resources to be allocated to the segment and assess its performance;

(c) for which discrete financial information is available.

The operating segments of ITAÚSA were defined according to the reports submitted to the Board of Directors for decision-making. Therefore, the segments are divided into the Financial Services Area and the Industrial Area.

ITAÚSA is a holding company and its subsidiaries are: Duratex, Elekeiroz and Itautec, which operate in the industrial area, and Itaú Unibanco Holding, under ITAÚSA's joint control and operating in the financial area.

The Itaúsa subsidiaries have independence with regard to defining their differentiated and specific standards in the management and segmentation of their respective businesses.

- **Financial Services Area**

Itaú Unibanco Holding is a banking institution that offers, directly or through its subsidiaries, a broad range of credit and other financial services to a diversified client base of individuals and companies in and outside Brazil.

ITAÚSA exercises joint control over the businesses of Itaú Unibanco Holding; the jointly-controlled entities were accounted for under the equity method and were not consolidated.

The complete financial statements of Itaú Unibanco Holding for the period from January 1, 2016, to December 31, 2016, are available at the following website https://www.itau.com.br/relacoes-com-investidores/.

- **Industrial Area**

In the industrial segment we have a broad range of companies; for this reason, we have separated information by company. A brief description of the products manufactured by each company is as follows:

I) Duratex manufactures bathroom porcelain and metals, and the respective fittings and electronic showers, with the Deca and Hydra brands, which are distinguished by their wide range of products, bold design, and superior quality. Duratex also produces wood panels from pine and eucalyptus, largely used in the manufacture of furniture, mainly fiberboard, chipboard and medium, high and super-density fiberboards, better known as MDF, HDF and SDF, from which laminated flooring (Durafloor) and ceiling and wall coatings are manufactured.

II) Elekeiroz operates in the chemical market and is engaged in the manufacturing and sale of chemical and petrochemical products in general, including third parties' products, and imports and exports. The company's production capacity exceeds 700 thousand tons of chemical products per year in its industrial units, and the products are basically intended for the industrial sector, particularly for the civil construction, clothing, automotive and food industries.

III) Itautec's main business is holding an interest in companies in Brazil and abroad, particularly in companies engaged in the manufacture and sale of commercial and banking automation equipment and the provision of services.

January to December		FINANCIAL SERVICES AREA	INDUSTRIAL AREA			ITAUSA CONSOLIDATED[2]
		Itaú Unibanco Holding	Duratex [1]	Elekeiroz	Itautec	
Total assets	**2016**	**1,353,241**	**9,341**	**434**	**136**	**59,020**
	2015	1,276,415	9,008	763	219	54,830
Operating revenues [3]	**2016**	**208,274**	**3,910**	**771**	**8**	**13,266**
	2015	173,428	3,963	894	28	13,942
Net income	**2016**	**23,263**	**26**	**(344)**	**(15)**	**8,216**
	2015	25,740	192	(11)	(19)	8,994
Stockholders' equity	**2016**	**122,582**	**4,571**	**111**	**56**	**50,679**
	2015	112,252	4,616	455	77	47,871
Annualized return on average equity (%) [4]	**2016**	**20.1%**	**0.6%**	**-93.0%**	**-23.5%**	**16.6%**
	2015	24.8%	4.1%	-2.4%	-21.1%	20.0%
Internal fund generation [5]	**2016**	**97,507**	**932**	**(24)**	**(13)**	**891**
	2015	56,881	919	31	1	974

(1) *Net Income, Stockholders' equity and ROE of Duratex correspond to results of Consolidated Financial Statement.*

(2) *ITAÚSA CONSOLIDATED includes: the consolidation of 100% of the subsidiaries and is net of consolidation elimination and unrealized results of intercompany transactions and the amounts for Itaú Unibanco Holding that were not consolidated and are now being accounted for under the equity method.*

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

- *Itaú Unibanco Holding: interest and similar income, dividend income, net gain (loss) from investment securities and derivatives, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.*
- *Duratex, Itautec and Elekeiroz: sales of products and services.*
- *ITAÚSA CONSOLIDATED: sales of products and services and the share income of associates and joint ventures.*

(4) *Represents the ratio of net income for the year and the average equity (Dec15 + Mar + Jun + Sep + Dec) / 5).*

(5) *Refers to funds arising from operations as reported in the statement of cash flows.*

Note: *Net Income, Stockholders' equity and ROE of Itaú Unibanco correspond to results attributable to controlling stockholders.*

As from the second quarter of 2016, Itaú CorpBanca was consolidated in Itaú Unibanco financial statements.

NOTE 26 – RELATED PARTIES

Transactions between related parties are carried out based on the amounts, maturities and average rates in accordance with normal market practices on the respective dates, as well as under reciprocal conditions.

Transactions between companies included in the consolidation were eliminated from the consolidated financial statements. The transaction terms take into consideration the absence of risk.

The transactions with these related parties are mainly characterized as follows:

a) Related parties

	Assets/(Liabilities)		Revenue/(Expenses)	
	12/31/2016	12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015
Financial investments	**126**	**224**	**15**	**20**
Itaú Unibanco S.A.	126	224	15	20
Customers	**37**	**43**	**190**	**192**
Other Related Parties (*)	37	43	190	192
Banking service fees	**-**	**-**	**(6)**	**(2)**
Itaú Corretora S.A	-	-	(2)	(1)
Itaú Unibanco S.A.	-	-	(4)	1
Itaú Seguros	-	-	-	(2)
Total	**163**	**267**	**199**	**210**

(*) Refers basically to the operations for the sale of Duratex S.A.'s goods to Leo Madeiras Maqs. e Fer. S.A., Fibria Celulose and Leroy Merlin Cia. Bras. de Bricolagem (From 07/29/2016 the Leroy Merlin has ceased to be a related party), as well as rural leasing costs with Ligna Florestal Ltda.

In addition to the aforementioned operations, ITAÚSA and non-consolidated related parties, as an integral part of agreement for the apportionment of common costs, recorded in "General and administrative expenses", the amount of R$ 4 (R$ 6 from January 1 to December 31, 2015) due to the use of a common shared-structure.

As at December 31, 2016, it was not necessary to make an allowance for doubtful accounts.

b) Guarantees provided

In addition to these transactions, there are guarantees provided by ITAÚSA, endorsements, sureties and others, as follows:

	12/31/2016	12/31/2015
Duratex S.A.	211	330
Elekeiroz S.A.	138	110
Itautec S.A.	19	33
Total	**368**	**473**

c) Compensation of key personnel

The compensation of members of ITAÚSA and its subsidiaries' management was as follows:

	01/01 to 12/31/2016	01/01 to 12/31/2015
Compensation	33	29
Profit sharing	10	15
Stock options	5	6
Total	**48**	**50**

NOTE 27 – MANAGEMENT OF FINANCIAL RISKS

I – Financial risk factors

In order to understand the risks inherent in ITAÚSA'S activities, it is important to understand that its business objective is the management of investments in its companies. Accordingly, the risks to which ITAÚSA is subject are those that are managed by its subsidiaries and affiliates.

In terms liquidity risk, ITAÚSA's cash flow forecast is made by Management, which monitors the continuous forecasts of liquidity requirements to ensure that it has sufficient cash to meet operating needs, mainly the payment of dividends and interest on capital and the settlement of other obligations assumed.

ITAÚSA's excess cash is invested in government securities and investment fund quotas.

At the reporting date, ITAÚSA had cash and cash equivalents amounting to R$ 666 (R$ 802 at December 31, 2015), which are expected readily generate to cash inflows to manage the liquidity risk.

With the purpose of maintaining investments at acceptable risk levels, new investments or increases in interests are discussed at a joint meeting of ITAÚSA's Executive Board and Board of Directors.

We present below the main risks associated with ITAÚSA's subsidiaries:

a) Market risk

(i) Foreign currency risk

Changes in foreign exchange rates may result in a decrease in asset amounts or an increase in liability amounts. The foreign exchange risk derives from future commercial operations, assets and liabilities recognized and net foreign investments.

In view of certain risk management procedures, which aim to minimize the foreign exchange exposure, hedge mechanisms are in place to protect most of the foreign exchange exposure.

(ii) Derivative operations

In derivative operations there are no checks, monthly settlements or margin calls, and the contract is settled upon maturity, and recorded at fair value, taking into account market conditions such as terms and interest rates.

We present below the types of contract in place in subsidiaries:

- Swap contracts - US$ x CDI: this type of operation aims at changing debts expressed in US dollars into debts indexed to the CDI;
- Swap contracts – fixed rate x CDI: this type of operation aims to change debts at fixed interest rates into debts indexed to the CDI;
- NDF (Non-Deliverable Forward) Contract: this operation is aimed at eliminating a company's foreign exchange exposure. Accordingly, the contract is settled on its respective maturity date, taking into account the difference between the forward exchange rate (NDF) and the foreign exchange rate at the end of the period (Ptax);
- The fair value of financial instruments was valued based on the estimated present value, both for the long and short positions, and the resulting difference between these positions gives rise to the swap market value.

The following table summarizes the fair value of derivative financial instruments:

	Notional amount	Fair value	Accumulated effect	
	12/31/2016	12/31/2016	Amount receivable	Amount payable
Swap contracts	**-**	**94**	**98**	**(4)**
Asset position	**959**	**1,120**	**98**	**(4)**
Foreign currency (US$)	901	1,062	98	(3)
Foreign currency (US$)	58	58	-	(1)
Liability position	**(959)**	**(1,026)**	**-**	**-**
CDI	(959)	(1,026)	-	-
Futures contracts (NDF)	**27**	**27**	**-**	**-**
Agreement of Sale	**27**	**27**	**-**	**-**
NDF	27	27	-	-

	Notional amount	Fair value	Accumulated effect	
	12/31/2015	12/31/2015	Amount receivable	Amount payable
Swap contracts	**-**	**366**	**367**	**-**
Asset position	**1,179**	**1,588**	**367**	**-**
Foreign currency (US$)	1,009	1,413	367	-
Fixed rate	170	175	-	-
Liability position	**(1,179)**	**(1,222)**	**-**	-
CDI	(1,179)	(1,222)	-	-
Futures contracts (NDF)	**61**	**62**	**-**	**-**
Agreement of Sale	**61**	**62**	**-**	**-**
NDF	61	62	-	-

The gains or losses on operations shown in the table were offset in the interest and foreign currency, asset and liability positions, the effects of which are presented in the financial statements.

Sensitivity analysis

We present below the sensitivity analysis of financial instruments, including derivatives, describing the risks that may give rise to material losses to ITAÚSA and its subsidiaries, with a Probable Scenario (Base Scenario) and two other scenarios, pursuant to the provisions of CVM Instruction No. 475/08, representing 25% and 50% impairment of the risk variable considered.

For the risk variable rates used in the Probable Scenario, BM&FBOVESPA / Bloomberg quotations were used for the respective maturity dates.

Risk	Instrument/Operation	Description	Probable Scenario	Possible Scenario	Remote Scenario
Interest rate	Swap – Fixed/ CDI	Increase - CDI	(2)	(3)	(4)
	Hedged item: loans at fixed rates		2	3	4
Foreign exchange	Swap - US$ / CDI (Res. 4131)	Drop - US$	(18)	(312)	(606)
	Hedged item: debt in foreign currency (US$)	(Increase US$)	18	312	606
	NDF (US$)	Drop - US$	-	(5)	(14)
	Hedged item: debt in foreign currency (US$)	(Increase US$)	-	5	14
	Exports receivable	(Drop - US$)	-	(4)	(9)
		Increase - US$	-	4	9
	BNDES – revolving credit	Drop - US$	(2)	3	6
		(Increase US$)	-	(3)	(6)
	Foreign suppliers	Drop - US$	-	2	5
		(Increase US$)	-	(2)	(5)
Total			**(2)**	**-**	**-**

(iii) Cash flow risk or fair value associated with interest rate

The cash invested earns interest indexed to the CDI variation percentage, with redemption guaranteed by the issuing banks in accordance with the contracted rates. There are no other relevant assets the results of which are directly affected by changes in market interest rates.

For liabilities, the interest rate risk derives from long-term loans. Most of these loans are indexed to the Brazilian long-term interest rate (“TJLP”), a rate aimed at encouraging long-term investments in the production sector, which is historically lower than the financing rates in the market.

The risk associated with these contracted interest rates is monitored from the beginning of the financing, and the institution's policy is to monitor the changes in and projections of the interest market, analyzing any possible need or opportunity to contract hedges for these operations.

b) Credit risk

The sales policy is directly associated with the credit risk level to which the institution is willing to be exposedto in the course of business. Diversifying the receivables portfolio and selecting clients, as well as monitoring sales financing terms and individual credit limits, are among the procedures adopted to minimize default levels or losses in the realization of accounts receivable.

Regarding financial and other investments, the company’s policy is to work together with prime institutions and refrain from having investments concentrated in a single economic group.

c) Liquidity risk

This is the risk that ITAÚSA and its subsidiaries will not have net funds that are sufficient to meet their financial commitments, as a result of the mismatch of terms or volume between the scheduled receipts and payments. Assumptions regarding future reimbursements and receipts, monitored on a daily basis by the treasury area, are established in order to manage the liquidity of cash in domestic and foreign currencies.

The table below shows the maturities of financial liabilities and accounts payable to suppliers at the balance sheet date:

12/31/2016	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Loans and financing	780	1,636	1,292	4
Suppliers and other payables	298	1	-	34
Total	**1,078**	**1,637**	**1,292**	**38**

12/31/2015	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Loans and financing	676	1,180	1,235	7
Suppliers and other payables	441	3	-	29
Total	**1,117**	**1,183**	**1,235**	**36**

II - Estimated fair value

It is assumed that the balances of trade accounts receivable and trade accounts payable at their carrying amounts less impairment are close to their fair values. The fair values of financial assets and liabilities, for disclosure purposes, are estimated by discounting the future contractual cash flow at the interest rate in force in the market, which is available for ITAÚSA and its subsidiaries for similar financial instruments.

The financial statements are in conformity with CPC 40 / IFRS 7 – “Financial Instruments: Evidence” measured in the balance sheet at fair value, which requires the disclosure of these measurements using the following hierarchy levels:

- Level 1: prices (unadjusted) quoted for identical assets or liabilities in active markets;
- Level 2: information, in addition to quoted prices, included in level 1, which is adopted by the market for assets or liabilities, either directly (that is, as prices) or indirectly (that is, as price derivatives);
- Level 3: inputs for assets or liabilities not based on the data adopted by the market (that is, non-observable inputs).

In the following table, we present the consolidated financial instruments by level:

	Level	12/31/2016	12/31/2015
Assets [1]		**5,119**	**4,628**
Cash and cash equivalents	1	50	80
Cash and cash equivalents	2	2,384	2,094
Subordinated financial bills	2	61	61
Financial treasury bills	1	249	221
Trade accounts receivable	2	934	996
Dividends and interest on capital	2	1,004	835
Deposits as guarantees for contingent liabilities	2	99	104
Other assets	2	338	237
Liabilities:		**6,077**	**5,139**
Loans, financing and debentures	2	3,712	3,098
Suppliers / other expenses	2	333	473
Dividends and interest on capital	2	2,032	1,568

(1) The fair values of interests in unconsolidated joint ventures are reported in note 8 IIa.

NOTE 28 - HELD-FOR-SALE ASSETS

Itautec S.A.'s investments in Oki Brasil, in which Itautec intends to exercise the put option within a specified period, in the amount of R$ 20 (R$ 41 at December 31, 2015), are classified in this heading.

NOTE 29 – INVESTMENT PROPERTY

Investment Property	Land	Buildings	Facilities	Total
Balance at 12/31/2015	**2**	**28**	**-**	**30**
Changes from 01/01 to 01/01 to 12/31/2016	**-**	**(2)**	**-**	**(2)**
Depreciation	-	(2)	-	**(2)**
Balance at 12/31/2016				
Cost	2	52	2	**56**
Accumulated depreciation	-	(26)	(2)	**(28)**
Net book value	**2**	**26**	**-**	**28**

At December 31, 2016, rental revenue from properties for investments totaled R$ 5 (R$ 6 at December 31, 2015). This property, located in the city of Jundiaí, State of São Paulo (land, building and facilities), is rented by subsidiary Itautec to Oki Brasil Ind. Com. Produtos Tecnologia em Automação S.A.

NOTE 30 – SUBSEQUENT EVENT

Capital increase and cancellation of treasury shares - ITAÚSA

On February 13, 2017, Itaúsa's Board of Directors resolved on:

- increase capital in the amount of R$ 740, by issuing 121,311,478 new shares, of which 46,341,899 are common and 74,969,579 are preferred shares;
- cancellation of 26,819,000 book-entry common shares of own issue held in treasury, without reducing the capital stock value, by absorbing R$ 204 recorded in the Revenue Reserve – Reserve for Increase in Working Capital.

Exercise of put option – Itautec S.A.

On January 11, 2017, Itautec S.A. exercised the put option of 763,740 Oki Brasil's shares, in the amount of R$ 53, received on that same date. As a result, Itautec now holds 1,717,650 shares (11.2% of Oki Brasil's capital).

A part of the amount received was used to settle the two short-term loans raised from Banco Alfa, on that same date, and therefore no short-term loan outstanding is in place.

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders, Board Members and Management of
Itaúsa – Investimentos Itaú S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of **Itaúsa – Investimentos Itaú S.A. (the Company)**, identified as parent company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2016 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **Itaúsa – Investimentos Itaú S.A.** as at December 31, 2016, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its controlled companies in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment in Itaú Unibanco Holding S.A.

The joint investment in Itaú Unibanco Holding S.A. (“IUH”) represents 88% of the total assets and 105% of total income of the Company. Also, regarding the consolidated balances, the investment represents 76% of total assets and 104% of total income. The investment is audited by other independent auditors ("auditor of IUH") and we have conducted the group audit focusing on the evaluation of the key audit matters raised by the auditor of IUH when performing their work. We have read and critically evaluated this reasonable assurance engagement to obtain comfort on the work of the auditor of IUH.

IUH is financial holding that operates in several bank service types, as well as in the areas of insurance, social security and capitalization. IUH has a significant volume of operations in all these areas and, as a result, is highly dependent on its IT environment for processing these operations.

Additionally, the financial statements of IUH include critical accounting estimates on operations that require high level of judgment in the determination of the account balances. These critical accounting estimates raised by the auditor of IUH as key audit matters are:

- Allowance for doubtful accounts;
- Financial instruments and derivatives – level 3;
- Tax credits;
- Goodwill; and
- Provision for contingent liabilities.

In view of that, we understand that the evaluation of the auditor of IUH on these critical accounting estimates, as well as on the IT environment, are adequate and a key area of IUH audit.

Audit response

The audit procedures followed by the auditor of IUH in respect of the critical accounting estimates included communication with other auditors of the investees and experts, in order to discuss the identified audit risks, the focus, scope and time of the work. We have reviewed their working papers and discussed their results. As for the identified key audit matters, we have discussed them with the auditor of IUH and with the Company’s management and evaluated their impact on the financial statements.

As for the critical accounting estimates raised as key audit matters by the auditor of IUH, we have considered the review of their working papers and the conclusions regarding:

- Tests conducted on the design and operation of the controls over the record, measurement, write-off and disclosure of the operations;
- Analyses, when applicable, of the reasonableness of certain assumptions and judgment applied by the management of IUH, as well as checking the integrity and totality of the data bases and calculation models involved in the determination of the balances; and
- Review of the detailed tests related to the existence, correct value, integrity and record at the proper time of the operations, along with the experts.

As for the IT environment, we considered the review of the working papers and the conclusions regarding:

- Review of the evaluation of the IT environment, including automatized controls of the application systems relevant for the preparation of the financial statements; and
- Review of the evaluation on whether the procedures followed involved the combination of relevant control tests and, when necessary, compensating control tests and the conduction of detailed tests on certain aspects of information security, including the management of accesses and segregation of duties.

We have considered that the evaluation of the criteria and assumptions adopted by management for the determination of these critical estimates produce values that are within ranges acceptable in accordance with Brazilian accounting practices and the IFRS issued by IASB, made by the auditor of IUH.

Additionally, the combination of the tests of controls and other detailed tests conducted by the auditor of IUH allowed them to establish an adequate level of reliability on the IT environment for the purpose of our audit of the Company.

Investment in controlled company Duratex S.A.

The investment in controlled company Duratex S.A. (“Duratex”) represents 3% of total assets in the individual financial statements of the Company. Duratex is the subsidiary that represents the largest individual company included in consolidation and it is audited by other independent auditors ("auditor of Duratex"). We have conducted the group audit focusing on the evaluation of the key audit matters raised by the auditor of Duratex when performing their work. We have read and critically evaluated this reasonable assurance engagement to obtain comfort on the work of the auditor of Duratex.

The financial statements of Duratex include critical accounting estimates on operations that require high level of judgment in the determination of the account balances. These critical accounting estimates raised by the auditor of Duratex as key audit matters are:

- Recoverable value of intangible assets – Goodwill;
- Measurement of the fair value of biological assets; and
- Realization of tax credits.

Due to the inherent uncertainties of this type of estimate, we understand that the evaluation of the auditor of Duratex on these critical accounting estimates is adequate and a key area of Duratex audit.

Additionally, Duratex makes sales through several units in the domestic and foreign markets. Due to the existence of these several units and dependence on manual controls, we understand the evaluation of the auditor of Duratex of risk of revenue recognition out of the proper accrual period and, as a result, this being a key area of audit of Duratex’s financial statements.

Audit response

The audit procedures followed by the auditor of Duratex in respect of the critical accounting estimates included communication with other auditors of the investees and experts, in order to discuss the identified audit risks, the focus, scope and time of the work. We have reviewed their working papers and discussed their results. As for the identified key audit matters, we have discussed them with the auditor of Duratex and evaluated their impact on the Company’s financial statements.

As for the critical accounting estimates raised as key audit matters by the auditor of Duratex, we have considered the review of their working papers and the conclusions regarding:

- Review of the performed work and the conclusions of their experts regarding the evaluation of the assumptions and methodology applied by the management of Duratex; and
- Review of the disclosures on the individual and consolidated financial statements of the Company, whether they are in accordance with Brazilian accounting practices and the IFRS issued by IASB.

As for the recognition of revenue, we considered the review of the working papers and the conclusions regarding:

- Realization of internal control tests related to the identification, movement of inventory, and record of sales revenues within the accrual period;
- Realization of tests of documents based on samples of billed and delivered invoices and of billed but not delivered invoices, according to the accrual period; and
- Recalculation of the adjustments made by the management of Duratex to reverse the entries of sales revenues billed but not delivered within the accrual period.

After the adoption of these procedures, we considered that the assumptions and methodologies used by the auditor of Duratex regarding the accounting estimates and the controls established for the proper compliance with revenue recognition in the correct accrual period are adequate to reduce the associated risks of material misstatement on the financial statements.

Other matters

Statement of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's management for the year ended December 31, 2016, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and auditor's report

The Company's management is responsible for this other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and the IFRSs, issued by IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its controlled companies' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its controlled companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its controlled companies to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 13, 2017.

BDO

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Jairo da Rocha Soares
Accountant CRC 1 SP 120458/O-6

Independent Auditor's Report

To the Board of Directors and Stockholders
Itaúsa – Investimentos Itaú S.A.

Opinion

We have audited the accompanying parent company financial statements of Itaúsa - Investimentos Itaú S.A. ("Company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We also have audited the accompanying consolidated financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. as at December 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Consolidated financial statements

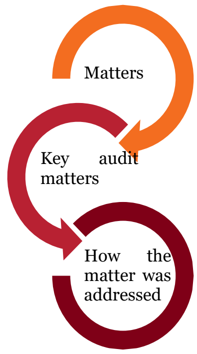
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and its subsidiaries as at December 31, 2016, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and the Professional Standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. Itaúsa - Investimentos Itaú S.A. is engaged in holding activities and, therefore, the key audit matters for the year ended December 31, 2016 arise from investments made in subsidiaries and jointly-controlled subsidiaries, as presented below. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters

Jointly-controlled subsidiary – Itaú Unibanco Holding S.A. ("IUH") – (Note 8)

The jointly-controlled investment in IUH represents 88% of the total assets and 105% of the total net income of the Company. Also regarding the consolidated balance sheet, the investment represents 75% of the total assets and 104% of the total net income.

IUH is a financial institution engaged in a number of banking, insurance, pension plan, and capitalization activities. IHU carries out an expressive amount of activities related to these areas and, as a result, is highly dependent on its information technology environment to process these operations.

IUH's financial statements disclose critical accounting estimates related to operations that require a high level of judgment when measuring and recording the accounting balances.

We understand that these critical accounting estimates are:

- allowance for loan and lease losses;
- measurement of the fair value of financial instruments and derivatives - level 3;
- deferred tax assets;
- realization of goodwill and intangible assets;
- provision for contingent liabilities.

Therefore, we understand that such critical accounting estimates, as well as the information technology environment, require an audit focus.

How the matter was addressed in the audit

Considering that we also audited the financial statements of IUH, this audit included the following audit procedures:

- In relation to the critical accounting estimates:

Tests of the design and operation of the main controls used to, measure record, and disclosure the operations.

With the support of our specialists, we analyzed, when applicable, the reasonableness of selected assumptions and judgements applied by IUH's management. We also tested the integrity and completeness of the databases and the models involved in the calculation of the balances.

On a sampling basis, we performed tests of details to assess existence, correct amount, integrity, and timely recording of the operations; also, we performed external confirmation procedures with lawyers of IUH to confirm the probability of loss on the judicial proceedings.

We consider that the criteria and assumptions adopted by management to determine these critical estimates lead to amounts that remain within the acceptable intervals in relation to the accounting practices.

- Regarding the information technology environment:

With the support of our specialists, we assessed the information technology environment, including the automated controls of the application systems that are significant for the preparation of the financial statements.

The procedures we performed were comprised of a combination of relevant control tests and, when necessary, tests of compensating controls and performance of tests of details on certain aspects related to the information security, including access management and segregation of duties.
The combination of the tests of controls with other tests of details produced sufficient audit evidence to allow us to conclude, for the purposes of our audit, that the IUH's systems are operating appropriately.

Key audit matters	How the matter was addressed in the audit
Investment in the subsidiary Duratex S.A. (Note 8 I(a))	
The investment in the subsidiary Duratex S.A. represents 3% of the total assets disclosed in the Company's individual financial statements. This subsidiary is the largest individual company included in the consolidation process. Duratex's financial statements disclose critical accounting estimates related to operations that require a high level of judgment when measuring and recording the account balances. We understand that these critical accounting estimates are: • recoverability of intangible assets - Goodwill; • measurement of the fair value of biological assets; and • estimation for the realization of deferred tax assets. Due to the uncertainties inherent to this type of estimate, we consider this an area of focus in the audit of the financial statements of Itaúsa – Investimentos Itaú S.A. In addition, the sales of Duratex occur through a number of units both in the domestic and foreign markets. These many units, and the reliance on manual controls, lead us to consider that there is a risk regarding timeliness of revenue recognition. Because of this, we understand that this area also requires focus in our audit of the consolidated financial statements of Itaúsa – Investimentos Itaú S.A.	The audit procedures related to critical accounting estimates included the communication with the auditors of Duratex S.A. with the purpose of discussing the identified audit risks, the audit strategy, the scope, time and extent of the work. We reviewed their working papers and discussed the results of their work. Regarding the critical accounting estimates, we took into account: • The work performed and the conclusions of the specialists of the auditors of Duratex S.A. regarding the assessment of the assumptions and the methodology used by Duratex's management; and • The disclosures in the consolidated financial statements of Itaúsa – Investimentos Itaú S.A. Regarding the revenue recognition, we inquired and reviewed: • The internal control tests related changes in inventory and identification of inventory items, as well as, timeliness of revenue recognition; • Tests of details for a sample of invoices billed and receipts of delivery of goods to assess the timeliness of revenue recognition; and • The recalculation of adjustments made by the Company to reverse revenue from invoices billed but not delivered during the fiscal year. As result of these audit procedures, we concluded that the assumptions and methodologies used on the accounting estimates, as well as, the controls established over the revenue recognition are reasonable and mitigate risks of material misstatements.

Other matters

Supplementary information - Statements of Value Added

The parent company and consolidated statements of value added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09, "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and are consistent with the financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The management of Itaúsa – Investimentos Itaú S.A. and its subsidiaries is responsible for the other information that comprises the Management Report. Our opinion on the financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and the consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 13, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Washington Luiz Pereira Cavalcanti
Contador CRC 1SP172940/O-6

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ 61.532.644/0001-15 A Publicly Listed Company NIRE 35300022220

OPINION OF THE FISCAL COUNCIL

The members of Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.** (Itaúsa) have proceeded to examine the management report and the financial statements for the December 31, 2016, which were reviewed by BDO RCS Auditors Independents S/S (BDO) as independent auditors, pursuant to the statutory requirements including those relating to the regulations issued by the Brazilian Securities and Exchange Commission. Pursuant to the practices of Corporate Governance, these account statements have also been reviewed by PricewaterhouseCoopers Auditors Independents (PwC), as Conglomerate's independent auditor, including of the controlling company of Itaúsa. Both the independent auditors issued unqualified reports.

The Fiscal Councilors have verified the exactness of the elements examined and in the light of the opinions of BDO and PwC mentioned above, understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period. São Paulo (SP), February 13, 2017. (signed) Tereza Cristina Grossi Togni – President; Alexandre Barenco Ribeiro, Flavio Cesar Maia Luz, José Maria Rabelo and Paulo Ricardo Moraes Amaral – Councilors.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15 A Publicly Listed Company NIRE 35300022220

SUMMARIZED MINUTES OF THE MEETING OF THE BOARD OF EXECUTIVE OFFICERS HELD ON FEBRUARY 13, 2017

DATE, TIME AND PLACE: On February 13, 2017, at 8:00 am, at Praça Alfredo Egydio de Souza Aranha, 100, Torre Olavo Setubal, 9th floor, in the city and state of São Paulo.

CHAIR: Alfredo Egydio Setubal, CEO.

QUORUM: the totality of the elected members.

RESOLUTIONS UNANIMOUSLY ADOPTED: following due examination of the account statements for the fiscal year ending December 31, 2016, pursuant to the provisions in sub-section V and VI of Article 25 of CVM Instruction 480/09, amended, the Board unanimously resolved to declare that:

a) it has reviewed, discussed and agrees with the opinion expressed in the report issued by BDO RCS Auditores Independentes S/S (BDO) as independent auditors, pursuant to the statutory requirements including those relating to the regulations issued by the Brazilian Securities and Exchange Commission. Pursuant to the practices of Corporate Governance, these financial statements have also been reviewed by PricewaterhouseCoopers Auditores Independentes (PwC), as Conglomerate's independent auditor, including of the controlling company of Itaúsa. Both the independent auditors issued unqualified reports; and

b) it has reviewed, discussed and agrees with the financial statements for the fiscal year ending December 31, 2016.

CONCLUSION: there being no further matters on the agenda and no members wishing to raise any further matters, the meeting was declared closed and these minutes were drafted, read, approved and signed by all. São Paulo (SP), February 13,2017. (signed) Alfredo Egydio Setubal – CEO; Roberto Egydio Setubal and Rodolfo Villela Marino – Executive Vice-Presidents.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer