# ITAÚSA

# Complete Financial Statements

September 30, 2018

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## MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the period from July to September 2018 (3Q18), 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 PricewaterhouseCoopers Auditores Independentes (PwC), and have received an unqualified opinion from the external auditor. The Financial Statements were approved by the Fiscal Council.

The Financial Statements were made available to the CVM and to B3 S.A. – Brasil, Bolsa, Balcão (B3).

**Adoption of CPC 47 and CPC 48**

For better comparability, the information on fiscal year 2017 was adjusted to the effects arising from the adoption of CPC 47 (revenue from contracts with clients) and CPC 48 (financial instruments).

## 1) ECONOMIC ENVIRONMENT

The global economy is expected to consolidate a sharper economic growth in 2018. The U.S. economy grew 2.7% in the four quarters up to September 2018 from the 2.2% recorded in the same period of 2017. In the euro-zone, GDP rose by 2.2% in the four quarters up to June 2018, compared to 2.4% in 2017. After a 6.9% growth in 2017, China witnessed a moderate downturn in 3Q18 (6.5% for the year). The economic activity is expected to record a lower growth in 2019.

In the domestic scenario, GDP rose by 1.0% in 2017 and 1.4% in the four quarters up to 2Q18. This figure indicates an improvement from 2015 and 2016, years overshadowed by economic shrinkage.

Regarding the labor market, unemployment rate is 12.1% in the quarter ended August 2018, from 12.6% in the same period of 2017, as measured by the Continuous Pnad (Continuous National Household Sample Survey).

Inflation measured by IPCA reached 4.5% in the last 12 months ended in September, from 2.5% recorded in the same period of 2017. Analysis of broken-down figures shows that regulated prices rose 10.4% in the period, whereas free prices rose 2.6%.

Current inflation below the set-up target and economic activity below expectations have allowed a more flexible monetary policy. The Central Bank of Brazil started a cycle of cuts in interest rates in October 2016 and since then the Selic rate has been reduced to current 6.50% per year from 14.25%.

## 2) ITAÚSA HIGHLIGHTS AND EVENTS

ITAÚSA

**Corporate Governance**

Code of Conduct updated and independent reporting channel launched

On August 29, 2018, Itaúsa held an internal event to relaunch its revised and improved Code of Conduct (former Code of Ethics), and introduce its Reporting Channel, managed by a specialized third party and operated under strict confidentiality rules. These developments meet the best corporate governance practices and are in line with the Company's culture, values, and ethical and transparency principles.

**Sustainability**

Itaúsa and Itaú Unibanco once again makes up the DJSI

Itaúsa, for the 15th year, and Itaú Unibanco, for the 19th consecutive year, were chosen to make up the Dow Jones Sustainability World Index (DJSI), the world's main corporate sustainability index. In its 2018/2019 edition, the portfolio is made up of 317 companies from 30 countries, of which only seven are Brazilian – among them, Itaúsa and Itaú Unibanco Holding S.A.

Itaúsa and Itaú Unibanco achieved the highest rate in the banking sector in the following criteria:

- Financial Stability and Systemic Risk
- Tax Strategy
- Environmental Reporting
- Corporate Citizenship and Philanthropy
- Financial Inclusion
- Social Reporting

Furthermore, Itaúsa and Itaú Unibanco were one more time chosen to make up the Dow Jones Sustainability Emerging Markets Index.

**SUBSEQUENT EVENTS:**

**Increase in quarterly dividends**

The quarterly dividend value increased by 33.3%, to R$0.02 per share as from the dividends for the third quarter of 2018 (previously R$0.015 per share), payable on January 2, 2019, based on the stockholding position of November 30, 2018. This resolution was taken at the Board of Directors' Meeting held on November 12, 2018.

**Disclosure of the Report on Corporate Governance**

On October 30, 2018, Itaúsa disclosed its Report on the Brazilian Corporate Governance Code, which addresses its level of compliance with the practices recommended therein. This document follows the "comply or explain" approach and can be accessed on the websites of Itaúsa, the CVM and B3.

**Cancellation of treasury shares**

On November 12, 2018, the Board of Directors approved the cancellation of 3.5 million book-entry preferred shares of own issue held in treasury, by means of the absorption of R$32.3 million.

## 3) ITAÚSA'S 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. We present below Itaúsa's share of income and result, considering recurring evens only (nonrecurring events are detailed in the Reconciliation of Recurring Net Income table.)

R$ million

| STATEMENT OF INCOME | Q3 18 | Q3 17 | Actual change | YTD SEP 18 | YTD SEP 17 | Actual change |
|---|---|---|---|---|---|---|
| FINANCIAL SECTOR | 2,299 | 2,255 | 2.0% | 6,839 | 6,878 | -0.6% |
| NON FINANCIAL SECTOR | 33 | 85 | -61.2% | 168 | 138 | 21.4% |
| ALPARGATAS | (1) | - | n.a. | 10 | - | n.a. |
| DURATEX | 23 | 13 | 76.9% | 44 | 14 | 205.6% |
| ITAUTEC | (2) | (10) | 80.0% | (3) | (17) | 82.4% |
| NTS (1) (2) | 13 | 82 | -84.1% | 117 | 141 | -17.0% |
| OTHER COMPANIES (3) | 2 | 13 | -84.6% | 31 | 22 | 40.9% |
| RECURRING SHARE OF INDIVIDUAL INCOME + DIVIDEND/ INTEREST ON CAPITAL + INTEREST ON DEBENTURES | 2,334 | 2,353 | -0.8% | 7,038 | 7,038 | 0.0% |
| FINANCIAL INCOME / EXPENSES | (18) | (28) | 35.7% | (69) | (26) | -165.4% |
| GENERAL ADMINISTRATIVE EXPENSES | (23) | (19) | -21.1% | (57) | (42) | -35.7% |
| TAX EXPENSES | (2) | (45) | 95.6% | (293) | (303) | 3.3% |
| OTHER OPERATING REVENUES | 1 | 2 | -50.0% | 5 | 7 | -28.6% |
| RESULTS OF ITAÚSA | (42) | (90) | 53.3% | (414) | (364) | -13.7% |
| INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION | 2,292 | 2,263 | 1.3% | 6,624 | 6,674 | -0.8% |
| INCOME TAX / SOCIAL CONTRIBUTION | 44 | 39 | 12.8% | 53 | (77) | 168.8% |
| RECURRING INDIVIDUAL NET INCOME | 2,336 | 2,302 | 1.5% | 6,677 | 6,597 | 1.2% |
| NON-RECURRING RESULTS | 146 | 27 | 440.7% | 252 | (148) | 270.3% |
| ITAÚSA'S RESULTS | - | - | n.a. | (85) | - | n.a. |
| FINANCIAL SECTOR | 3 | 16 | -81.3% | 142 | (160) | 188.8% |
| NON FINANCIAL SECTOR | 143 | 11 | 1200.0% | 195 | 12 | 1525.0% |
| INDIVIDUAL NET INCOME | 2,482 | 2,329 | 6.6% | 6,929 | 6,449 | 7.4% |

(1) Investment in NTS is not accounted for under the equity method.

(2) ) Includes dividends/ interest on capital, adjustment to fair value of shares, interest on debentures convertible into shares, and expenses on time installment of the amount invested in NTS. The change in 3T18 was driven by the company no longer receiving interest on debentures (redeemed in May 2018), the effects of exchange variation on foreign currency-indexed debt, and the lower amount of dividends/ interest on capital received.

(3) Share of Income of the companies: Elekeiroz (until may-18), Itaúsa Empreendimentos e ITH Zux Cayman.

**General and Administrative (G&A) Expenses**

Taking into account the administrative structure dedicated to Itaúsa's activities, composed of 75 people, Itaúsa's G&A totaled R$26 million in the third quarter of 2018, totaling R$66 million in nine months, which accounted for 1.0% and 0.95% of net income for the same period, respectively.

## MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

| | R$ million | | | R$ per share | | |
|---|---|---|---|---|---|---|
| **MAIN INDICATORS OF THE PARENT COMPANY'S INCOME AND BALANCE SHEET** | **YTD SEP 18** | YTD SEP 17 | Actual change | **9/30/2018** | 9/30/2017 | Actual change |
| **PROFITABILITY** | | | | | | |
| Net income | **6,929** | 6,449 | 7.4% | **0.83** | 0.79 | 5.6% |
| Recurring net income | **6,677** | 6,597 | 1.2% | **0.80** | 0.81 | -0.5% |
| **BALANCE SHEET** | | | | | | |
| Total assets | **55,827** | 54,685 | 2.1% | **-** | - | - |
| Stockholders' equity | **52,691** | 50,559 | 4.2% | **6.26** | 6.15 | 1.9% |
| **ROE %** | | | | | | |
| Return on Equity (annualized) | **18.1%** | 17.8% | 30 bps | | | |
| Recurring Return on Equity (annualized) | **17.4%** | 18.2% | -80 bps | | | |

## MAIN FINANCIAL INDICATORS

| MAIN CAPITAL MARKETS INDICATORS | 9/30/2018 | 9/30/2017 | Actual change | |
|---|---|---|---|---|
| Dividends/ interest on capital, net - in R$ | **0.26** | 0.19 | 0.07 | 37.2% |
| Price of preferred share (PN) (1) - in R$ | **10.10** | 10.03 | 0.07 | 0.7% |
| Market capitalization (2) - in R$ million | **84,948** | 82,434 | 2,514 | 3.0% |
| Dividend Yield | **10.2%** | 5.3% | 490 bps | |

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

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

Note: The number of outstanding shares and the share quotation were adjusted to reflect the 10% bonus approved in Board of Directors held on May 24, 2018.

## MAIN INDICADOTORS OF ITAÚSA CONGLOMERATE COMPANIES

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements. Net income, stockholders' equity and ROE correspond to results attributable to controlling stockholders.

R$ million

| | January to September | Financial Sector | Non Financial Sector | |
|---|---|---|---|---|
| | | Itaú | ALPARGATAS | Duratex |
| Operating revenues [1] | **2018** | **125,233** | **2,647** | **3,686** |
| | 2017 | 148,795 | 2,618 | 2,888 |
| Net income | **2018** | **18,254** | **258** | **574** |
| | 2017 | 18,387 | 315 | 100 |
| Total Assets | **2018** | **1,524,489** | **3,892** | **9,974** |
| | 2017 | 1,375,551 | 3,640 | 9,033 |
| Stockholders' equity | **2018** | **129,879** | **2,249** | **5,389** |
| | 2017 | 128,460 | 2,177 | 4,677 |
| Annualized return on average equity (%) [2] | **2018** | **19.8%** | **15.8%** | **15.4%** |
| | 2017 | 20.6% | 19.9% | 2.9% |
| Internal fund generation [3] | **2018** | **42,566** | **319** | **970** |
| | 2017 | 49,468 | 358 | 735 |
| Interest of Itaúsa in companies [4] [5] | **2018** | **37.57%** | **27.55%** | **36.67%** |
| | 2017 | 37.41% | 27.55% | 36.41% |

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

- Itaú Unibanco Holding: Interest and similar income, dividend income, adjustments to fair value of financial assets and liabilities, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.
- Alpargatas and Duratex: Sales of products and services.

(2) Represents the ratio of net income for the period and the average equity ((sep + jun + mar + dec'17) /4).

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

(4) Represents the direct/ indirect Itaúsa interest in the Capital of Companies

(5) The Interest presented consider the outstanding shares.

## RECONCILIATION OF RECURRING NET INCOME

R$ million

| RECONCILIATION OF RECURRING NET INCOME | Q3 18 | Q3 17 | Actual change | YTD SEP 18 | YTD SEP 17 | Actual change |
|---|---|---|---|---|---|---|
| **Net income** | **2,482** | **2,329** | 6.6% | **6,929** | **6,449** | 7.4% |
| **Inclusion/(Exclusion) of non-recurring effects D= (A + B + C)** | **(146)** | **(27)** | -440.7% | **(252)** | **148** | -270.3% |
| **Itaúsa (A)** | - | - | n.a. | **85** | - | n.a. |
| Results of sale of all total shares issued by Elekeiroz | - | - | n.a. | 85 | - | n.a. |
| **Arising from stockholding interest in Financial Sector (B)** | (3) | (16) | 81.3% | (142) | 160 | -188.8% |
| Change in Treasury Shares | (3) | (36) | 91.7% | (145) | 132 | -209.8% |
| Provision for Contingencies | - | 27 | -100.0% | (34) | 54 | -163.0% |
| Impairment | - | 51 | -100.0% | 38 | 54 | -29.6% |
| Sale of IRB Shares | - | (58) | 100.0% | - | (58) | 100.0% |
| Other | - | - | n.a. | (1) | (22) | 95.5% |
| **Arising from stockholding interest in Non Financial Sector (C)** | **(143)** | **(11)** | n.a. | **(195)** | **(12)** | n.a. |
| **Alpargatas** | **(28)** | - | n.a. | **(29)** | - | n.a. |
| **Duratex** | **(115)** | **(11)** | -945.5% | **(166)** | **(12)** | n.a. |
| Sale of Land and Forests - Suzano | (119) | - | n.a. | (170) | - | n.a. |
| Other | 4 | (11) | 136.4% | 4 | (12) | 133.3% |
| **Recurring net income** | **2,336** | **2,302** | 1.5% | **6,677** | **6,597** | 1.2% |

## 4) CAPITAL MARKETS

Traded on B3, Itaúsa's preferred shares (ticker ITSA4) closed September 2018 at R$10.10, a 1.7% increase in the previous 12 months, whereas Ibovespa, B3's main index, increased 6.8% in the same period.

The daily average financial volume of preferred shares in the first nine months of 2018 was R$213 million, with an average of 26 thousand daily trades.

On September 30, 2018, Itaúsa had 115.6 thousand stockholders, of which 112.7 thousand individual stockholders, up 68.9% from the figure posted at the end of September 2017.

Itaúsa recorded a 10.2% dividend yield, as a result of the sum-up of dividends and interest on capital paid to the Company's stockholders in the last 12 months based on the closing price of the share in the quarter.

**Itaúsa Discount**

Discount is an indicator of the difference between the market price ascertained for itaúsa and the theoretical value obtained through the sum of the market values of the parts that compose the Holding Company's investments. On September 28, 2018, Itaúsa's shares were traded at a 24.1% discount, compared to 25.1% at the end of September 2017.

Market capitalization at the end of September, based on the price of the most liquid shares (ITSA4), was R$84,948 million, whereas the total market value of the sum of interests in subsidiaries reached R$111,874 million.

The Investor Relations area discloses information about the discount, which may be received by email, on a monthly basis on its website. To receive it, please register on www.itausa.com.br.

**Public Meeting with Investors – in partnership with Apimec/SP**

On September 12, 2018, Itaúsa held its 18th Annual Public Meeting with Investors, in partnership with Apimec/SP. This event was held at Hotel Unique in the city of São Paulo – SP, had the record attendance of 442 guests, and was broadcasted live on the Internet for 284 people.

At that event, Itaúsa's CEO and executives of the investees – Itaú Unibanco, Duratex, and Alpargatas – presented the companies' results, strategies and direction taken. The video and presentations of this event are available on Itaúsa's website on (http://www.itausa.com.br/pt/informacoes-financeiras/reunioes-com-analistas)

## 5) COMENTS ON THE PERFORMANCE OF INVESTEES

### Itaú Unibanco Holding S.A.

**Highlights**

**Partnership with Edenred (Ticket) to increase share in the employee benefits market (PAT)**

In September 2018, Itaú Unibanco entered into a partnership with Edenred Participações S.A., the parent company of Ticket Serviços S.A. in Brazil, to operate in the employee benefits market, mainly regulated by the *Programa de Alimentação do Trabalhador* (local acronym PAT). This partnership will enable the bank to extend the benefits provided by Ticket to clients in the wholesale, middle-market, very small and small companies segments.

Under this agreement, Itaú Unibanco will make a minority investment of 11% in Ticket, by means of a capital increase to be paid (i) in cash, equivalent to the book value of such equity interest, and (ii) distribution exclusivity right assigned to Ticket regarding Ticket Restaurante, Ticket Alimentação, Ticket Cultura and Ticket Transporte to Itaú Unibanco's corporate client base during the term of this partnership. Ticket will continue to distribute its products by means of other trade agreements and will remain under Edenred's control and management.

The completion of this transaction is conditioned on approvals from the Central Bank of Brazil and CADE, the Brazilian antitrust agency. This agreement is not expected to have any material impact on the 2018 results.

**POP Credicard machines launched in the acquiring segment**

In July 2018, Itaú Unibanco announced the entry of the Credicard brand into the merchant acquiring segment, with a POS machine family used for payment with cards that will be offered for sale especially to self-employed individuals, micro entrepreneurs and small companies, with competitive terms of payment and fees. The choice of the Credicard brand was driven by its repositioning in the electronic payment means segment to keep up with technology and behavior changes in the world and meet the clients' needs.

**Increased interest in Itaú CorpBanca**

In October 2018, Itaú Unibanco indirectly acquired 10.7 billion shares of Itaú CorpBanca for CLP65.7 billion, equivalent to approximately R$362.9[1] million, as a result of the Corp Group exercising a put option set forth in the shareholders' agreement of Itaú CorpBanca. Accordingly, interest in Itaú CorpBanca increased to 38.14%, from 36.06%, with no change in the governance of Itaú CorpBanca.

[1]Based on the price of the financial settlement on October 17, 2018.

**SUBSEQUENT EVENT:**

**50% Share Split**

Itaú Unibanco`s common and preferred shares will be 50% split based on the stockholding position of November 19, 2018. Therefore, stockholders will receive, on November 26, 2018, one (1) new share for every two (2) shares of the same type they hold. It is worth mentioning that monthly dividends will be kept at R$0.015 per share, so that total monthly paid amounts will increase by 50% as from January 2, 2019. This share split was approved at the Extraordinary General Stockholders` meeting held on July 27, 2018 and approved by the Central Bank of Brazil on October 31, 2018.

**Results[2]**

In the third quarter of 2018, Itaú Unibanco recorded net income of R$6.3 billion, up 7.4% from the previous quarter. In the period from January to September 2018, net income totaled R$18.8 billion.

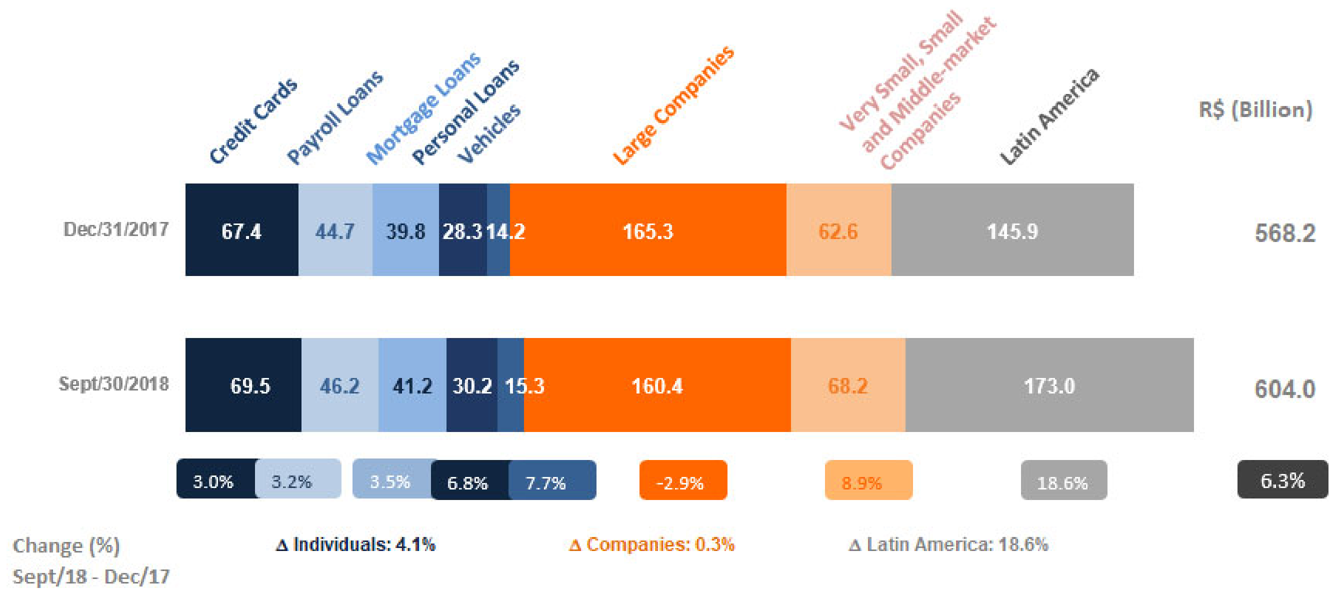
General and administrative expenses increased 11% in the quarter and 8.7% between the first nine months of 2017 and of 2018, mainly driven by increases in compensation and benefits, and the bank's risk adjusted efficiency ratio was 61.0%, down 270 bps from the same period of 2017. Itaú Unibanco is present in 19 countries, with 100.800 employees, who work seeking its clients' satisfaction. Employees' fixed compensation plus charges and benefits totaled R$12.6 billion in the first nine months of 2018.

In the period, another highlight was the 7.4% increase in commissions and fees from January to September 2017, mainly those related to current account, fund management and credit card services.

Loan portfolio totaled R$604.0 billion at the end of September 2018, up 6.3% from December 2017. From January to September 2018, the bank recorded increase in the portfolios of loans to individuals and to very small, small and middle-market companies.

We highlight below Itaú Unibanco's loan portfolio with financial guarantees provided at the end of September 2018:

2. On January 1, 2018, the new standard IFRS 9 on financial instruments came into force. This standard introduces significant changes in classification and measurement, impairment and hedge accounting. One of the key points refers to the recognition of incurred losses, which will be recorded as expected rather than actual losses incurred, as before.




### Capital Management

Aimed at ensuring capital adequacy and availability to support business growth, regulatory capital levels were kept above those required by the Central Bank of Brazil, as evidenced by the Common Equity Tier I, Tier I, and BIS ratios, which reached, in the third quarter of 2018, 13.9%, 14.9% and 16.9%, respectively. These indicators provide evidence of the company's effective capacity of absorbing unexpected losses.

Furthermore, Itaú Unibanco intends to maintain the minimum level, established by the Board of Directors, of 13.5% for Tier 1[1] Capital fully loaded, which must be composed of at least 12% Common Equity Tier I. The percentage of dividends and interest on capital to be distributed to stockholders is directly related to the full Tier 1 Capital fully loaded established by the Board of Directors, which is determined based on profitability in the year, the prospective use of capital based on the expected business growth, share buyback programs, mergers and acquisitions and regulatory changes that may modify capital requirements, and changes in tax legislation. Therefore, the percentage to be distributed may change every year based on the company's profitability and capital demands, and always takes into account the minimum distribution set forth in the Bylaws.

[1] Considers the Basel III requirements, and the ratio of September 2018 was 14.8%.

For further information on capital management, see to the "Risk and Capital Management Report – Pillar 3" report on website www.itau.com.br/investor-relations > Reports > Pillar 3 and Global Systemically Important Banks.

ALPARGATAS

### Highlights

#### Changes in Management

On October 18, the Board of Directors approved the structured plan submitted by Mr. Marcio Utsch for his succession, to become effective immediately and be concluded early in the first quarter of 2019. Mr. Roberto Funari, current member of the Company's Board of Directors, was appointed by the Board to take over as CEO after the transition period. Mr. Funari has a distinguished international career in global brand companies, working in top leading positions. Furthermore, on August 16, 2018, Mr. Julian Garrido Del Val Neto was elected by the Board of Directors as the new CFO, Investor Relations and Strategy Officer. Mr. Fabio Leite has stepped down from this position to take over as Havaianas Business Officer in Brazil, reporting to the Global Vice President of the Sandals Business.

#### Disposal of Topper Argentina

On September 14, 2018, Alpargatas signed with Mr. Carlos Roberto Wizard Martins a Purchase and Sale Agreement for the sale of 22.5% of the business unit related to the Topper brand in Argentina and in the world for R$100 million, with an initial upfront payment of R$40 million on the transaction closing date. This agreement provides for the possible sale of the remaining ownership control subject to the exercising of a call or put option accordingly.

### Results

Net revenue totaled R$930.8 million in 3Q18, down 2.2% from the same period of 2017, mainly driven by the decrease in sales in the Argentina operation, which was partially offset by the increase in the international market.

In Brazil, sales remained stable. In the first nine months of 2018, net revenue reached R$2,647.0 million, up 1.1%, favored by the performance of sandals in the Brazilian operation.

Net revenue **in Brazil**, comprising brands Havaianas, Dupé, Mizuno, Meggashop and Osklen, reached R$688.6 million in 3Q18, in line with the results for 3Q17. The slight decrease in the shipped volume (-1.5%) was offset by the rise in the average price of sandals.

In **Havaianas International**, net revenue in 3Q18 was R$146.8 million, up 35.4% from the same period of 2017. Foreign market posted a 6.8% increase in volume in 3Q18, favored by higher sales in the APAC (Asia Pacific) region, mainly driven by the billing of products not shipped in 2Q18, and EMEA (Europe and Middle East), due to the higher replacement of client's inventories and better performance of distributions in the Middle East.

Operation in **Argentina** posted negative EBITDA of R$58.7 million, driven by labor claim expenses, and inflation and exchange adjustments, which impacted the financial statements. Net revenue in 3Q18 was R$115.3 million, down 33.0%.

Consolidated EBITDA reached R$229.7 million in 3Q18, up 110.8% from 3Q17, impacted by non-recurring events related to the successful outcome in the lawsuit requesting exclusion of ICMS (state VAT) from the COFINS calculation base in Brazil, and consulting service expenses, in addition to labor claim expenses in Argentina. Consolidated recurring EBITDA, except for the aforementioned events, totaled R$114.0 million in 3Q18, down 15.2%, with a 12.3% margin, impacted by international operation expenses, which are expected to bring future return. In 9M18, consolidated EBITDA totaled R$447.9 million, up 4.3% from the same period of 2017.

Consolidated net income for the quarter totaled R$ 119.8 million, up 68% from 3Q17. In 9M18, consolidated net income (continuing operations) reached R$251.2 million, down 18.2% from 9M17.

Operating cash generation totaled R$562.6 million in the 12-month period ended September 30, 2018. Net cash was R$27.9 million at the same date.

Duratex

## Highlights

### Sale of land and biological assets partially received

In the third quarter of 2018, the Company received the partial amount of the second tranche, in the amount of R$235.1 million, in connection with the sale of biological assets to Suzano Papel e Celulose.

### Indebtedness continues on a downward trend

For another quarter, the company's financial leverage, measured by net debt to EBITDA of the last 12 months, kept a downward trend, to 2.32 times in 3Q18 from 2.59 times in 2Q18, as a result of the cash generation in all divisions and the sale of idle assets.

### Record performance of the Ceramic Tiles division

Operating under the Ceusa brand, this business division recorded increase in volume shipped and sales in the quarter, favored by the business production capacity available and the recovery of volumes not shipped, which contributed to reduce expenses and improve results.

## Results

Consolidated net revenue for the third quarter of 2018 was R$1,512.5 million, a 48.4% increase from the same period of 2017, mainly due to the higher volume sold in the three business divisions, rise in prices in the local market, appreciation of the U.S. dollar favoring exports and the receipt of R$235.1 million described above. In the first nine months of 2018, consolidated net revenue totaled R$3,686.0 million. If we excluded the effects of the sale of biological assets in two tranches of the operation with Suzano, the increase in revenue in 9M18 would be 17.5%.

Sales of the **Wood Division** in 3Q18 totaled R$1,050.2 million. If we exclude the non-recurring effect of the sale of biological assets, net revenue would record a 25.2% increase in the annual comparison. This increase reinforces the recovery trend of the wood panel industry and the capture of results of significant strategic developments carried out over the last quarters. Volumes increased 25.0% from 3Q17. This increase was strongly affected by the increasing demand for panels in the local market, the market share gain in certain categories, and the continuing pace of growth of the export program.

**Deca**'s net revenue totaled R$406.9 million, up 10.5% from 3Q17, a result of the expansion of volumes boosted by the basic lines and rise in prices. Net revenue in the year-to-date recorded a 4.7% increase, totaling R$1,114.7 million and strengthening Deca's capacity to respond in a still adverse scenario in the construction sector.

In 3Q18, we should also highlight the performance of the **Ceramic Tiles** division, operating under the Ceusa brand. Net revenue totaled R$55.4 million, with a 21.4% increase from 2Q18, following the growth in volume at the same pace. This result was favored by the available business production capacity and the recovery of volumes not shipped in previous quarters.

Consolidated EBITDA reached R$902.8 million, up 205.6% from 3Q17. Adjusted recurring EBITDA in 3Q18 was R$209.6 million, with recurring EBITDA margin of 16.4%. The main changes in expenses arise from the consolidation of Ceusa in results, in addition to expenses incurred on advisory services and investments in technology and innovation. Recurring EBITDA in the year-to-date was R$611.7 million, a 15.2% increase from 2017 and an 18% EBITDA margin.

Net income for 3Q18 was R$376.3 million, a 352.6% increase from 3Q17, whereas recurring net income was R$61.6 million, a 17.8% increase in the same period. From January to September 2018, recurring net income was R$119.9 million, posting a 77.0% increase from 2017. Including non-recurring effects, net income in the year-to-date was R$573.8 million.

On September 30, 2018, Duratex recorded a net debt of R$1,949.2 million, a leverage ratio of 2.32 times (net debt to adjusted recurring EBITDA for the last 12 months).

nts

**Results**

In the third quarter of 2018, net revenue totaled R$1,016 million, and EBITDA totaled R$910 million, both in line with the figures in the same period of 2017. Net income totaled R$497 million, down 2.0% from 3Q17. Net revenue in the year-to-date was R$3.0 billion, and net income was R$1.4 billion.

**Dividends and Interest on Capital**

From July to September 2018, Itaúsa received dividends and interest on income, gross, in the amount of R$37 million; in the year-to-date, it received R$116 million.

Itautec

Itautec holds a 10.31% interest in the capital of Oki Brasil Indústria e Comércio de Produtos e Tecnologia de Automação S.A. (Oki Brasil). This remaining interest will be sold in January 2020 by exercising a put option against Oki Electric Industry Co. Ltd. (parent company of Oki Brasil).

As decided by its management, Itautec no longer operates in its original segments. In 2014, it terminated the production of computers, and over 2015 it sold the total products it had in stock. The manufacturing and sales of commercial and banking automation equipment and the provision of services are currently carried out by Oki Brasil. The Company’s operation in the Information Technology segment is basically aimed at fully complying with previously signed agreements.

**Results**

Itautec’s administrative expenses totaled R$7.2 million and had an impact of R$3.5 million in this quarter, in connection with the recognition of an environmental recovery provision related to the former production unit of Tatuapé (a city in the state of São Paulo), to cover expenses on the action plan submitted to the Companhia de Tecnologia de Saneamento Ambiental (CETESB).

Furthermore, it reversed the provision for civil contingencies, in the amount of R$4.9 million, recognized in 2013, the risk of which has expired.

## 6) PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 131,000 employees at the end of September 2018, including approximately 17,000 employees in foreign units and 75 people dedicated to Itaúsa's specific activities.

## 7) INDEPENDENT AUDITORS – CVM INSTRUCTION No. 381

**Procedures adopted by the Company**

The policy adopted by Itaúsa, its subsidiaries and parent company, to engage non-audit services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditors independence. These principles include the following: (a) an auditor cannot audit 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 September 2018, the independent auditors and related parties did not provide non-audit services in excess of 5% of total external audit fees.

**Independent Auditors' Justification– PwC**

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

## 8) ACKNOWLEDGMENTS

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

## ITAÚSA - INVESTIMENTOS ITAÚ S.A.

### BOARD OF DIRECTORS

**Chairman**
Henri Penchas

**Vice-Chairman**
Alfredo Egydio Setubal
Ana Lúcia de Mattos Barretto Villela

**Members**
Paulo Setubal
Rodolfo Vilella Marino
Victório Carlos De Marchi

**Alternative members**
Ricardo Egydio Setubal
Ricardo Villela Marino
Silvio José Morais

### EXECUTIVE BOARD

**Chief Executive Officer**
Alfredo Egydio Setubal (*)

**Executive Vice-Presidents**
Alfredo Egydio Arruda Villela Filho
Roberto Egydio Setubal
Rodolfo Villela Marino

(*) *Investor Relations Officer*

### FISCAL COUNCIL

**President**
Tereza Cristina Grossi Togni

**Members**
Flavio César Maia Luz
Guilherme Tadeu Pereira Júnior
José Maria Rabelo
Paulo Ricardo Moraes Amaral

**Alternative members**
Carlos Eduardo de Mori Luporini
Felício Cintra do Prado Júnior
Pedro Soares Melo
Isaac Berensztejn
João Costa

**Accountant**
Sandra Oliveira Ramos Medeiros
CRC 1SP 220.957/O-9

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

| ASSETS | NOTE | 09/30/2018 | 12/31/2017 |
|---|---|---|---|
| Cash and cash equivalents | 3 | 2,254 | 1,218 |
| Financial assets - Fair value through profit or loss | 4 | 986 | 995 |
| Financial assets - Amortised cost | 5 | - | 444 |
| Trade accounts receivable | 6 | 1,303 | 1,091 |
| Other financial assets | 7a | 803 | 1,056 |
| Inventory | 8 | 847 | 839 |
| Investments in associates and joint ventures | 9 IIa | 50,230 | 50,934 |
| Fixed assets, net | 10 | 3,399 | 3,669 |
| Intangible assets, net | 11 | 656 | 659 |
| Biological assets | 12 | 1,566 | 1,699 |
| Tax assets | | 1,706 | 1,603 |
| Income tax and social contribution - for offsetting | | 390 | 354 |
| Income tax and social contribution - deferred | 13b | 1,235 | 1,158 |
| Other | | 81 | 91 |
| Other non-financial assets | 7a | 125 | 68 |
| **TOTAL ASSETS** | | **63,875** | **64,275** |

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

| LIABILITIES AND STOCKHOLDERS' EQUITY | NOTE | 09/30/2018 | 12/31/2017 |
|---|---|---|---|
| **Liabilities** | | | |
| Dividends and interest on capital | | 305 | 1,377 |
| Debentures | 14 | 1,228 | 1,208 |
| Loans and financing | 15 | 2,992 | 3,548 |
| Provision | 16 | 1,423 | 1,416 |
| Tax liabilities | | 566 | 664 |
| Income tax and social contribution - current | | 51 | 28 |
| Income tax and social contribution - deferred | 13b | 485 | 496 |
| Other | | 30 | 140 |
| Other liabilities | 7b | 1,255 | 1,143 |
| **Total Liabilities** | | **7,769** | **9,356** |
| **Stockholders' Equity** | | | |
| Capital | 17a | 43,515 | 37,145 |
| Treasury shares | 17b | (32) | - |
| Reserves | 17d | 10,702 | 16,075 |
| Carrying value adjustments | | (1,494) | (1,294) |
| **Total Stockholders' Equity Attributable to Owners of the Parent Company** | | **52,691** | **51,926** |
| Non-controlling interests | | 3,415 | 2,993 |
| **Total Stockholders' Equity** | | **56,106** | **54,919** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **63,875** | **64,275** |

*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 | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|---|
| Net sales revenue of products and services | 19 | 1,511 | 4,113 | 1,290 | 3,607 |
| Cost of products and services | 20 | (1,085) | (3,031) | (945) | (2,726) |
| **Gross profit** | | **426** | **1,082** | **345** | **881** |
| Sales expenses | 20 | (194) | (534) | (184) | (506) |
| General and administrative expenses | 20 | (87) | (237) | (83) | (232) |
| Other (losses)/gains, net | 21 | 458 | 626 | 73 | 172 |
| Tax expenses | | - | (293) | (47) | (306) |
| Share of income in associates and joint ventures | 9 IIa | 2,328 | 7,019 | 2,271 | 6,718 |
| **Operating result** | | **2,931** | **7,663** | **2,375** | **6,727** |
| Financial income | 22 | 66 | 247 | 114 | 316 |
| Financial expenses | 22 | (129) | (422) | (141) | (448) |
| **Financial result** | | **(63)** | **(175)** | **(27)** | **(132)** |
| **Income before income tax and social contribution** | | **2,868** | **7,488** | **2,348** | **6,595** |
| Current income tax and social contribution | 13a | (214) | (330) | (110) | (278) |
| Deferred income tax and social contribution | 13b | 67 | 136 | 144 | 196 |
| **Net income** | | **2,721** | **7,294** | **2,382** | **6,513** |
| Net income attributable to owners of the parent company | | 2,482 | 6,929 | 2,329 | 6,449 |
| Net income attributable to non-controlling interests | | 239 | 365 | 53 | 64 |
| **Earnings per share - basic and diluted** | 23 | | | | |
| Common | | 0.30 | 0.83 | 0.28 | 0.79 |
| Preferred | | 0.30 | 0.83 | 0.28 | 0.79 |
| **Weighted average number of shares outstanding – basic and diluted** | | | | | |
| Common | | 2,889,839,643 | 2,860,348,123 | 2,823,483,724 | 2,825,648,563 |
| Preferred | | 5,520,858,345 | 5,466,536,474 | 5,397,509,136 | 5,361,073,826 |

*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)*

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Net income** | **2,721** | **7,294** | **2,382** | **6,513** |
| **Other comprehensive income** | **77** | **(200)** | **147** | **235** |
| **Amounts that will subsequently be reclassified to results** | **74** | **(203)** | **144** | **254** |
| **Interest in associates and jointly controlled entities, net of tax** | **68** | **(241)** | **145** | **252** |
| Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad | 68 | (241) | 145 | 252 |
| **Interest in subsidiaries, net of tax** | **6** | **38** | **(1)** | **2** |
| Foreign exchange variations on investments abroad | 6 | 38 | (1) | 2 |
| **Amounts that will not subsequently be reclassified to results** | **3** | **3** | **3** | **(19)** |
| **Interest in associates and jointly controlled entities, net of tax** | **3** | **3** | **3** | **(19)** |
| Remeasurement of post-employment benefit obligations | 3 | 3 | 3 | (19) |
| **Total comprehensive income** | **2,798** | **7,094** | **2,529** | **6,748** |
| Comprehensive income attributable to owners of the parent-company | 2,559 | 6,729 | 2,476 | 6,684 |
| Comprehensive income attributable to non-controlling interests | 239 | 365 | 53 | 64 |

*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 | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| **Adjusted net income** | | **249** | **901** | **309** | **581** |
| Net income | | 2,721 | 7,294 | 2,382 | 6,513 |
| Adjustments to net income: | | (2,472) | (6,393) | (2,073) | (5,932) |
| Share of income in associates and joint ventures | 9 IIa | (2,328) | (7,019) | (2,271) | (6,718) |
| Deferred income tax and social contribution | | (67) | (136) | (144) | (196) |
| Contingent liabilities | 16b | 36 | 199 | 51 | 173 |
| Interest, foreign exchange and monetary variations, net | | 105 | 281 | 116 | 370 |
| Depreciation, amortization and depletion | | 311 | 668 | 152 | 442 |
| Change in fair value of biological assets | 12c | (49) | (121) | (40) | (121) |
| Allowance for loan losses | 6 | 3 | 12 | 3 | 11 |
| Gain (loss) on sale of investment | | - | 121 | - | - |
| Other | | (483) | (398) | 60 | 107 |
| **Changes in assets and liabilities** | | **6** | **(1,242)** | **394** | **213** |
| Decrease in financial assets | | - | 39 | 439 | 211 |
| Increase in trade accounts receivable | | (292) | (342) | (86) | (153) |
| (Increase) decrease in inventory | | 40 | (60) | 63 | (6) |
| (Increase) decrease in tax assets | | (30) | (11) | 34 | 370 |
| (Increase) decrease in other assets | | 268 | 52 | (218) | (33) |
| Decrease in tax liabilities | | (5) | (73) | (29) | (265) |
| Increase (decrease) in other liabilities | | 25 | (847) | 191 | 89 |
| **Others** | | **(226)** | **(469)** | **(72)** | **(221)** |
| Payment of income tax and social contribution | | (201) | (319) | (4) | (16) |
| Interest paid on loans and financing | | (25) | (150) | (68) | (205) |
| **Net cash (used in) from operating activities** | | **29** | **(810)** | **631** | **573** |
| **Cash flow from investment activities** | | | | | |
| Purchase of investments | | (4) | (4) | (1,825) | (2,977) |
| Sale of investments | | - | 29 | - | 2 |
| Interest on debentures receivable | | - | 15 | 9 | 21 |
| Acquisition of fixed assets, intangibles and biological assets | | (111) | (321) | (94) | (304) |
| Sale of fixed assets, intangibles and biological assets | | 267 | 420 | - | 53 |
| Interest on capital and dividends received | | 1,967 | 7,594 | 985 | 3,826 |
| Judgment debt of the government receivable | | - | - | 9 | 9 |
| Redemption of debentures | | - | 442 | - | - |
| **Net cash (used in) from investment activities** | | **2,119** | **8,175** | **(916)** | **630** |
| **Cash flow from financing activities** | | | | | |
| Subscription of shares | | - | 664 | - | 68 |
| Purchases of treasury shares | 17b | (17) | (32) | - | (449) |
| Interest on capital and dividends paid | | (1,871) | (6,518) | (631) | (3,078) |
| Loans and financing receivable | | - | 431 | 223 | 239 |
| Payment of borrowing and financing | | (24) | (883) | (141) | (521) |
| Issue of Debentures | | - | - | - | 1,200 |
| **Net cash used in financing activities** | | **(1,912)** | **(6,338)** | **(549)** | **(2,541)** |
| **Net increase (decrease) in cash and cash equivalents** | | **236** | **1,027** | **(834)** | **(1,338)** |
| Cash and cash equivalents at the beginning of the period | 3 | 2,017 | 1,218 | 1,931 | 2,434 |
| Effects of changes in exchange rates on cash and cash equivalents | | 1 | 9 | (1) | - |
| Cash and cash equivalents at the end of the period | 3 | 2,254 | 2,254 | 1,096 | 1,096 |

*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)*

| | 07/01 to 09/30/2018 | % | 01/01 to 09/30/2018 | % | 07/01 to 09/30/2017 | % | 01/01 to 09/30/2017 | % |
|---|---|---|---|---|---|---|---|---|
| **Income** | **2,258** | | **5,716** | | **1,689** | | **4,657** | |
| Sales of products and services | 1,839 | | 5,080 | | 1,619 | | 4,531 | |
| Allowance for doubtful accounts | (3) | | (12) | | (3) | | (11) | |
| Other revenue | 422 | | 648 | | 73 | | 137 | |
| **Inputs purchased from third parties** | **(1,031)** | | **(3,261)** | | **(1,081)** | | **(3,046)** | |
| Cost of products and services | (834) | | (2,602) | | (869) | | (2,508) | |
| Materials, energy and third-party services | (197) | | (659) | | (212) | | (538) | |
| **Gross value added** | **1,227** | | **2,455** | | **608** | | **1,611** | |
| Depreciation, amortization and depletion | (311) | | (668) | | (152) | | (442) | |
| **Net value added produced by the company** | **916** | | **1,787** | | **456** | | **1,169** | |
| **Value added received from transfer** | **2,434** | | **7,392** | | **2,447** | | **7,156** | |
| Share of income in associates and joint ventures | 2,328 | | 7,019 | | 2,271 | | 6,718 | |
| Financial income | 66 | | 247 | | 114 | | 316 | |
| Other revenue | 40 | | 126 | | 62 | | 122 | |
| **Total value added to be distributed** | **3,350** | | **9,179** | | **2,903** | | **8,325** | |
| **Distribution of value added** | **3,350** | **100.00%** | **9,179** | **100.00%** | **2,903** | **100.00%** | **8,325** | **100.00%** |
| Personnel | 204 | 6.09% | 630 | 6.86% | 215 | 7.41% | 619 | 7.44% |
| Compensation | 163 | | 505 | | 172 | | 496 | |
| Benefits | 30 | | 92 | | 31 | | 90 | |
| FGTS – Government severance pay fund | 10 | | 32 | | 11 | | 32 | |
| Other | 1 | | 1 | | 1 | | 1 | |
| Taxes, fees and contributions | 299 | 8.93% | 856 | 9.33% | 179 | 6.17% | 767 | 9.21% |
| Federal | 276 | | 829 | | 158 | | 729 | |
| State | 22 | | 18 | | 14 | | 24 | |
| Municipal | 1 | | 9 | | 7 | | 14 | |
| Return on third parties' assets | 126 | 3.76% | 399 | 4.35% | 127 | 4.37% | 426 | 5.12% |
| Interest | 124 | | 396 | | 125 | | 423 | |
| Rental revenue | - | | 1 | | 2 | | 3 | |
| Other | 2 | | 2 | | - | | - | |
| Return on own assets | 2,721 | 81.22% | 7,294 | 79.46% | 2,382 | 82.05% | 6,513 | 78.23% |
| Dividends and interest on capital paid/provided for | 168 | | 2,177 | | 637 | | 1,746 | |
| Retained earnings for the period | 2,314 | | 4,752 | | 1,692 | | 4,703 | |
| Non-controlling interests in retained earnings | 239 | | 365 | | 53 | | 64 | |

*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 | 09/30/2018 | 12/31/2017 |
|---|---|---|---|
| Cash and cash equivalents | | 904 | 71 |
| Financial assets - Fair value through profit or loss | 4 | 986 | 995 |
| Financial assets - Amortised cost | 5 | - | 444 |
| Other financial assets | | 73 | 692 |
| Dividends and interest on capital | | 36 | 656 |
| Escrow deposits as guarantees of contingencies | | 37 | 36 |
| Investments in subsidiaries, associates and joint ventures | 9 Ic | 52,524 | 53,119 |
| Fixed assets, net | | 93 | 88 |
| Tax assets | | 1,206 | 1,078 |
| Income tax and social contribution - current | | 276 | 254 |
| Income tax and social contribution - deferred | | 928 | 822 |
| Other | | 2 | 2 |
| Other assets | | 41 | 7 |
| **TOTAL ASSETS** | | **55,827** | **56,494** |

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

| LIABILITIES AND STOCKHOLDERS' EQUITY | NOTE | 09/30/2018 | 12/31/2017 |
|---|---|---|---|
| **Liabilities** | | | |
| Dividends and interest on capital | | 305 | 1,334 |
| Debentures | 14 | 1,228 | 1,208 |
| Loans and financing | | - | 501 |
| Provision | | 1,263 | 1,244 |
| Tax liabilities | | 27 | 30 |
| Income tax and social contribution - deferred | | 25 | 8 |
| Other | | 2 | 22 |
| Other liabilities | | 313 | 251 |
| **Total Liabilities** | | **3,136** | **4,568** |
| | | | |
| **Stockholders' Equity** | | | |
| Capital | 17a | 43,515 | 37,145 |
| Treasury shares | 17b | (32) | - |
| Reserves | 17d | 10,702 | 16,075 |
| Carrying value adjustments | | (1,494) | (1,294) |
| **Total Stockholders' Equity** | | **52,691** | **51,926** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **55,827** | **56,494** |

*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 | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|---|
| Other (losses)/gains, net | | 38 | - | 61 | 122 |
| General and administrative expenses | | (23) | (57) | (19) | (42) |
| Tax expenses | | (2) | (293) | (45) | (303) |
| Share of income in subsidiaries, associates and joint ventures | 9 I c | 2,467 | 7,258 | 2,298 | 6,749 |
| **Operating result** | | **2,480** | **6,908** | **2,295** | **6,526** |
| Financial income | | 8 | 104 | 40 | 117 |
| Financial expenses | | (50) | (172) | (45) | (117) |
| **Financial result** | | **(42)** | **(68)** | **(5)** | - |
| **Income before income tax and social contribution** | | **2,438** | **6,840** | **2,290** | **6,526** |
| Current income tax and social contribution | | (1) | (1) | (85) | (226) |
| Deferred income tax and social contribution | | 45 | 90 | 124 | 149 |
| **Net income** | | **2,482** | **6,929** | **2,329** | **6,449** |
| **Earnings per share - basic and diluted** | 23 | | | | |
| Common | | 0.30 | 0.83 | 0.28 | 0.79 |
| Preferred | | 0.30 | 0.83 | 0.28 | 0.79 |
| **Weighted average number of shares outstanding – basic and diluted** | | | | | |
| Common | | 2,889,839,643 | 2,860,348,123 | 2,823,483,724 | 2,825,648,563 |
| Preferred | | 5,520,858,345 | 5,466,536,474 | 5,397,509,136 | 5,361,073,826 |

*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)*

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Net income** | **2,482** | **6,929** | **2,329** | **6,449** |
| **Other comprehensive income** | **77** | **(200)** | **147** | **235** |
| **Amounts that will subsequently be reclassified to results** | **74** | **(203)** | **144** | **254** |
| **Interest in jointly controlled entities, net of tax** | **68** | **(241)** | **145** | **252** |
| Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad | 68 | (241) | 145 | 252 |
| **Interest in subsidiaries, net of tax** | **6** | **38** | **(1)** | **2** |
| Foreign exchange variation on investments abroad | 6 | 38 | (1) | 2 |
| **Amounts that will not be subsequently reclassified to results** | **3** | **3** | **3** | **(19)** |
| **Interests in associates and jointly controlled entities, net of tax** | **3** | **3** | **3** | **(19)** |
| Remeasurement of post-employment benefit obligations | 3 | 3 | 3 | (19) |
| **Total comprehensive income** | **2,559** | **6,729** | **2,476** | **6,684** |

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

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**
**Statement of Changes in Stockholders' Equity (Note 17)**
*(In millions of reais)*

| | Attributable to owners of the parent company | | | | | | | | Total stockholders' equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Treasury shares | Capital reserves | Appropriated revenue reserves | Unappropriated revenue reserves | Proposal for distribution of additional dividends | Retained earnings / (accumulated deficit) | Carrying value adjustments | Owners of the parent company | Non-controlling interests | Total |
| **Balance at 01/01/2017** | **36,405** | **(204)** | **707** | **6,908** | **3,485** | **1,242** | **-** | **(1,743)** | **46,800** | **2,950** | **49,750** |
| Transactions with owners | 740 | 204 | 1 | (653) | - | (1,242) | (1,746) | - | **(2,696)** | (3) | **(2,699)** |
| Subscription of shares | 740 | - | - | - | - | - | - | - | **740** | - | **740** |
| Goodwill on issue of shares | - | - | 1 | - | - | - | - | - | **1** | - | **1** |
| Treasury shares | - | (449) | - | - | - | - | - | - | **(449)** | - | **(449)** |
| Cancellation of treasury stock | - | 653 | - | (653) | - | - | - | - | - | - | - |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | (3) | **(3)** |
| Dividends and interest on capital | - | - | - | - | - | - | (1,746) | - | **(1,746)** | - | **(1,746)** |
| Dividend amount in addition to the minimum mandatory dividend for prior years | - | - | - | - | - | (1,242) | - | - | **(1,242)** | - | **(1,242)** |
| Transactions with subsidiaries and jointly controlled companies | - | - | (33) | (196) | - | - | - | - | **(229)** | - | **(229)** |
| Paid-in reserves | - | - | - | 3,485 | (3,485) | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | 6,449 | 235 | **6,684** | 64 | **6,748** |
| Net income | - | - | - | - | - | - | 6,449 | - | **6,449** | 64 | **6,513** |
| Other comprehensive income | - | - | - | - | - | - | - | 235 | **235** | - | **235** |
| Appropriations: | | | | | | | | | | | |
| Legal reserve | - | - | - | 322 | - | - | (322) | - | - | - | - |
| Unappropriated-reserves | - | - | - | - | 4,381 | - | (4,381) | - | - | - | - |
| **Balance at 06/30/2017** | **37,145** | **-** | **675** | **9,866** | **4,381** | **-** | **-** | **(1,508)** | **50,559** | **3,011** | **53,570** |
| **Change in the period** | **740** | **204** | **(32)** | **2,958** | **896** | **(1,242)** | **-** | **235** | **3,759** | **61** | **3,820** |
| **Balance at 01/01/2018** | **37,145** | **-** | **719** | **9,667** | **687** | **5,002** | **-** | **(1,294)** | **51,926** | **2,993** | **54,919** |
| Transactions with owners | 6,370 | (32) | - | (4,999) | - | (5,002) | (2,177) | - | **(5,840)** | 57 | **(5,783)** |
| Subscription of shares | 1,370 | - | - | - | - | - | - | - | **1,370** | - | **1,370** |
| Treasury shares | - | (32) | - | - | - | - | - | - | **(32)** | - | **(32)** |
| Increase in capital with reserves | 5,000 | - | - | (5,000) | - | - | - | - | - | - | - |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | 57 | **57** |
| Dividends and interest on capital not claimed | - | - | - | 1 | - | - | - | - | **1** | - | **1** |
| Dividends and interest on capital | - | - | - | - | - | - | (2,177) | - | **(2,177)** | - | **(2,177)** |
| Dividend amount in addition to the minimum mandatory dividend for prior years | - | - | - | - | - | (5,002) | - | - | **(5,002)** | - | **(5,002)** |
| Transactions with subsidiaries and jointly controlled companies | - | - | (142) | 18 | - | - | - | - | **(124)** | - | **(124)** |
| Paid-in reserves | - | - | - | 687 | (687) | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | 6,929 | (200) | **6,729** | 365 | **7,094** |
| Net income | - | - | - | - | - | - | 6,929 | - | **6,929** | 365 | **7,294** |
| Other comprehensive income | - | - | - | - | - | - | - | (200) | **(200)** | - | **(200)** |
| Appropriations: | | | | | | | | | | | |
| Legal reserve | - | - | - | 346 | - | - | (346) | - | - | - | - |
| Unappropriated-reserves | - | - | - | - | 4,406 | - | (4,406) | - | - | - | - |
| **Balance at 06/30/2018** | **43,515** | **(32)** | **577** | **5,719** | **4,406** | **-** | **-** | **(1,494)** | **52,691** | **3,415** | **56,106** |
| **Change in the period** | **6,370** | **(32)** | **(142)** | **(3,948)** | **3,719** | **(5,002)** | **-** | **(200)** | **765** | **422** | **1,187** |

*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)*

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| **Adjusted net income** | **44** | **(10)** | **2** | **(192)** |
| Net income | 2,482 | 6,929 | 2,329 | 6,449 |
| Adjustments to net income: | (2,438) | (6,939) | (2,327) | (6,641) |
| Share of income in subsidiaries, associates and joint ventures | (2,467) | (7,258) | (2,298) | (6,749) |
| Deferred income tax and social contribution | (45) | (90) | (124) | (149) |
| Contingent liabilities | 19 | 178 | 57 | 166 |
| Interest and monetary variations, net | 55 | 108 | 38 | 89 |
| Gain (loss) on sale of investment | - | 121 | - | - |
| Depreciation and amortization | - | 2 | - | 2 |
| **Changes in assets and liabilities** | **(103)** | **(866)** | **455** | **441** |
| Decrease in financial assets | - | 38 | 439 | 211 |
| (Increase) decrease in tax assets | (30) | (12) | 34 | 366 |
| (Increase) decrease in other assets | (18) | 353 | 104 | 341 |
| Decrease in tax liabilities | (28) | (20) | (47) | (251) |
| Decrease in other liabilities | (27) | (1,225) | (75) | (226) |
| **Other** | - | **(44)** | - | **(2)** |
| Interest paid on loans and financing | - | (44) | - | (2) |
| **Net cash (used in) from operating activities** | **(59)** | **(920)** | **457** | **247** |
| **Cash flow from investment activities** | | | | |
| Acquisition of investments | - | - | (1,775) | (2,927) |
| Sale of investments | - | 29 | - | 2 |
| Purchases of fixed assets and intangible | (3) | (8) | (2) | (4) |
| Redemption of debentures | - | 442 | - | - |
| Interest on debentures receivable | - | 16 | 9 | 21 |
| Interest on capital and dividends received | 1,968 | 7,618 | 986 | 3,829 |
| **Net cash (used in) from investment activities** | **1,965** | **8,097** | **(782)** | **921** |
| **Cash flow from financing activities** | | | | |
| Advance for future capital increase | - | 664 | - | 68 |
| Loan operations | - | - | 299 | 498 |
| Settlement - Loan operations | - | (520) | - | (200) |
| Issue of debentures | - | - | - | 1,200 |
| Loans and financing payable | - | 20 | 200 | 200 |
| Purchases of treasury shares | (17) | (32) | - | (449) |
| Interest on capital and dividends paid | (1,871) | (6,476) | (631) | (3,074) |
| **Net cash used in financing activities** | **(1,888)** | **(6,344)** | **(132)** | **(1,757)** |
| **Net increase (decrease) in cash and cash equivalents** | **18** | **833** | **(457)** | **(589)** |
| Cash and cash equivalents at the beginning of the period | 886 | 71 | 534 | 666 |
| Cash and cash equivalents at the end of the period | 904 | 904 | 77 | 77 |

*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)*

| | 07/01 to 09/30/2018 | % | 01/01 to 09/30/2018 | % | 07/01 to 09/30/2017 | % | 01/01 to 09/30/2017 | % |
|---|---|---|---|---|---|---|---|---|
| **Inputs purchased from third parties** | **(19)** | | **(171)** | | **(21)** | | **(42)** | |
| Third-party services | (15) | | (40) | | (13) | | (31) | |
| Other | (4) | | (131) | | (8) | | (11) | |
| **Gross value added** | **(19)** | | **(171)** | | **(21)** | | **(42)** | |
| Depreciation and amortization | - | | (2) | | - | | (2) | |
| **Net added value produced by the company** | **(19)** | | **(173)** | | **(21)** | | **(44)** | |
| **Added value received through transfers** | **2,515** | | **7,485** | | **2,401** | | **6,990** | |
| Share of income in subsidiaries, associates and joint ventures | 2,467 | | 7,258 | | 2,298 | | 6,749 | |
| Financial income | 9 | | 105 | | 40 | | 117 | |
| Other income | 39 | | 122 | | 63 | | 124 | |
| **Total value added to be distributed** | **2,496** | | **7,312** | | **2,380** | | **6,946** | |
| **Distribution of value added** | **2,496** | **100.00%** | **7,312** | **100.00%** | **2,380** | **100.00%** | **6,946** | **100.00%** |
| Personnel - compensation | 4 | 0.16% | 7 | 0.10% | 1 | 0.04% | 5 | 0.07% |
| Taxes, fees and contributions | (41) | -1.64% | 207 | 2.83% | 10 | 0.42% | 385 | 5.54% |
| Return on third parties' assets - interest | 51 | 2.04% | 169 | 2.31% | 40 | 1.68% | 107 | 1.54% |
| Return on own assets | 2,482 | 99.44% | 6,929 | 94.76% | 2,329 | 97.86% | 6,449 | 92.85% |
| Dividends and interest on capital | 168 | | 2,177 | | 637 | | 1,746 | |
| Retained earnings for the period | 2,314 | | 4,752 | | 1,692 | | 4,703 | |

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

**ITAÚSA – INVESTIMENTOS ITAÚ S.A**
**Notes to the Financial Statements**
**at September 30, 2018**
*(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 Av. Paulista No. 1,938 5º andar, Bela Vista, in the city of São Paulo, SP, Brazil.

The corporate purpose of ITAÚSA is to hold equity interests in other companies, in Brazil or abroad, for investment in any sectors of the economy, including through investment funds, disseminating among its investees its principles of appreciation of human capital, governance, and ethics in business, and creation of value for its stockholders on a sustainable basis.

Through its controlled and joint-controlled companies and other investments, ITAÚSA operates in the following markets: financial services (Itaú Unibanco Holding), wood panels, bathroom porcelains, bathroom fixtures, ceramic tiles and electronic showers (Duratex), footwear, apparel and sports products (Alpargatas) and gas transportation (Nova Transporte do Sudeste – NTS) – as shown in Note 25 "Segment Information".

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family which holds 63.27% of the common shares and 18.90% of the preferred shares, making 34.15% of the total.

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

These interim individual and consolidated financial statements were approved by the ITAÚSA Board of Directors on November 12, 2018.

## 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 period ended September 30, 2018

#### CPC 48 / IFRS 9 – “Financial Instruments”

CPC 48 establishes new criteria for the classification, measurement, and recognition of financial assets and liabilities and the measurement of expected credit losses for financial and contract assets, as well as new hedge accounting requirements. This standard replaces CPC 38/IAS 39 - Financial Instruments: Recognition and Measurement, and requires the classification of financial assets into three categories: measured at fair value through profit or loss (FVTPL), measured at fair value through other comprehensive income (FVTOCI), and measured at amortized cost, based on the combination of two factors: the business model the entity uses for managing financial assets and the asset’s contractual cash flow characteristics. As ITAÚSA has adopted CPC 48 as from January 1, 2017, the balances of prior periods are being restated.

Regarding financial liabilities, this standard keeps most of the requirements established by CPC 38. The key change is the recognition of the effects of changes in fair value attributable to an entity’s credit risk in other comprehensive income, rather than in the statement of income, for financial liabilities using the fair value option. ITAÚSA has not been impacted by the adoption of CPC 48 for purposes of classification and measurement of its financial liabilities.

CPC 48 also replaces the CPC 38’s incurred credit losses model for a prospective “expected credit losses” model, which covers all financial assets measured at amortized cost and at FVTOCI. For measurement of this loss, the specific credit status of the counterparty is assessed, as well as the possible impacts of changes in the economic or scenario factors on credit losses.

Regarding hedge accounting, CPC 48 has not changed the general principles on how to address and recognize hedges deemed effective according to CPC 38. Therefore, there was no impact on ITAÚSA’s financial statements arising from the application of CPC 48 in this regard.

The greatest impact of the adoption of CPC 48 on ITAÚSA's financial statements is derived from the effects determined by its shared-controlled entity ITAÚ UNIBANCO HOLDING S.A. The table below shows the main effects of the adoption of CPC 48 on ITAÚ UNIBANCO's financial statements at the date of initial application (01/01/2017) and at the balance sheet date of 09/30/2017:

| | 09/30/2017 | | 01/01/2017 |
|---|---|---|---|
| | Stockholders' Equity | Net income | Stockholders' Equity |
| **Beginning balance according to CPC 38 (IAS 39) – attributable to controlling stockholders** | **131,410** | **18,418** | **122,582** |
| Change in accounting policy – write-offs of assets (a) | 2,455 | (26) | 2,462 |
| Expected loss – loan and lease operations (b) | (7,076) | 306 | (7,385) |
| Expected loss – other financial assets (b) | (1,416) | (887) | (468) |
| Modification of financial assets ( c) | 29 | (7) | 36 |
| Adjustment to fair value of financial assets (d) | (789) | 686 | (787) |
| Deferred taxes on adjustments | 4,106 | 56 | 3,712 |
| Non-controlling interests | (259) | (159) | (57) |
| **Total adjustments** | **(2,950)** | **(31)** | **(2,487)** |
| **Balance according to CPC 48 (IFRS 9) – attributable to controlling stockholders** | **128,460** | **18,387** | **120,095** |

*(a) Change in accounting policy – partial write-off of financial assets, according to CPC 23, which has led to the proportional recording of assets, aligning the recovery of financial assets to their economic realization.*

*(b) Replacing the calculation model based on incurred loss (CPC 38) to expected loss model, taking into account prospective information.*

*(c)Adjusting the gross book value of financial assets that had their cash flows modified (with no write-off), which balance was recalculated according to CPC 48 requirements.*

*(d) Changing the measurement model for financial assets due to the new categories introduced by CPC 48.*

### CPC 47 / IFRS 15 – "Revenue from Contracts with Clients"

CPC 47 it is based on a five-stage approach, which seeks to identify contracts with clients, its obligations to perform and the prices of both the contract as a whole and each obligation to perform, taking into account market conditions or other alternate methodologies, if required. The entity should ultimately define whether the revenue is to be recognized over time or at a certain moment in time, taking into account how and when the assets or services will be transferred to clients.

This pronouncement replaces CPC 30 / IAS 18 – "Revenue" and CPC 17 / IAS11- "Construction Contracts", as well as related interpretations.

The effect of the application of CPC 47 was not deemed significant in the financial statements of ITAÚSA.

We present below the impact of ITAÚSA's adopting CPC 47 and CPC 48:

| | 09/30/2017 | | 01/01/2017 |
|---|---|---|---|
| | Stockholders' equity | Net income | Stockholders' equity |
| **Amounts disclosed** | **51,662** | **6,461** | **47,729** |
| Adjustments – adoption of new CPCs (*) | **(1,103)** | (12) | (929) |
| **Amounts according to CPC 47 and CPC 48** | **50,559** | **6,449** | **46,800** |

*(*) The corresponding entry of these adjustments were recorded in Investments in subsidiaries, associates and joint ventures.*

### b) Accounting pronouncements issued recently applicable to future periods

The pronouncement below will come into force for periods after the date of these Financial Statements. It has not been adopted early by the company:

- Change in Conceptual Framework – In March, 2018, o IASB issued a review of the Conceptual Framework and the main changes refer to: definitions of assets and liabilities, recognition criteria, write-off, measurement, presentation and disclosure for equity elements and result. These changes are effective for the years started on January 1st, 2020 and possible impacts are being assessed and will be completed by the date they are in force.

- CPC 06 (R2) / IFRS 16 – "Leases" – This standard addresses the elimination of the accounting for operating lease agreements for the lessee, presenting one lease model only, which consists of (a) recognizing leases which terms exceeds 12 months and have substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in income. For the lessor, accounting will continue to be segregated between operating and financial lease. IFRS 16 (whose related standard in Brazil is CPC 06 (R2)) replaces any existing standards on lease, including IAS 17 – Leases (whose related standard is CPC 06 (R1)) and IFRIC 4, SIC 15 and SIC 27 – Supplementary Aspects of Leases. This standard is effective for annual periods beginning on or after January 1, 2019. Possible impacts arising from the adoption of this standard for the financial statements of ITAÚSA and its subsidiaries are being assessed and will be completed by the date this standard becomes 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 13. The carrying amount of deferred tax assets was R$ 1,235 at September 30, 2018 (R$ 1,158 at December 31, 2017).

### 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 16.

The carrying amount of these contingencies at September 30, 2018 was R$ 1,680 (R$ 1,471 at December 31, 2017).

### 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$ 56, 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 12.

### 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 09/30/2018 | Interest in capital at 12/31/2017 |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| Itaú Unibanco Holding S.A. | Brazil | Holding company/Financial institution | 37.57% | 37.64% |
| IUPAR - Itaú Unibanco Participações S.A. | Brazil | Holding company | 66.53% | 66.53% |
| Alpargatas S.A. | Brazil | Footwear, apparel and sports items | 27.55% | 27.55% |
| **Full consolidation** | | | | |
| Duratex S.A. | Brazil | Wood and bathroom porcelain and metals | 36.67% | 36.68% |
| Elekeiroz S.A. (*) | Brazil | Chemical products | - | 96.60% |
| Itaúsa Empreendimentos S.A. | Brazil | Service | 100.00% | 100.00% |
| Itautec S.A. | Brazil | Information technology | 98.93% | 98.93% |
| ITH Zux Cayman Ltd. | Cayman Islands | Holding | 100.00% | 100.00% |

*(*) Total shares issued by Elekeiroz S.A were sold on June 4, 2018, as stated in Note 9c to these financial statements.*

### 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 an integrated set of activities and assets that may be conducted and managed so as to provide a direct return, as dividends, lower costs or other economic benefits, to investors or other stockholders, members or participants. 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 classify their financial assets, upon initial recognition, depending on the characteristics of these assets' cash flows and the business models used by the entity for financial assets management. The classifications used are as follows: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

#### (a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are assets whose cash flows characteristic corresponds only to the payment of principal and interest, and that are generated by a business model to obtain contractual cash flows of the instrument.

#### (b) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are assets whose cash flows characteristic also corresponds only to the payment of principal and interest and that are generated by a business model that involves both obtaining contractual cash flows and selling these instruments.

#### (c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through income are assets whose cash flows characteristic does not correspond only to the payment of principal and interest or that are generated by a business model to be sold in the short-term (trading). These assets are classified as current assets.

### II. 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 measured at fair value through profit or loss. Financial assets are written off when the rights to receive cash flows have expired or have been transferred; in the latter case provided that ITAÚSA and its subsidiaries have substantially transferred all the risks and benefits of the property.

Financial assets measured at fair value through profit or loss and through other comprehensive income are subsequently accounted for at fair value, and the effects of the change in fair value are recognized, respectively, in income for the period or in other comprehensive income. Financial assets measured at amortized cost are accounted for at amortized cost, based on the effective interest rate method.

Upon the sale of debt bonds measured as fair value through other comprehensive income, the accumulated adjustments to fair value recognized at a separate account under stockholders' equity ("Asset Valuation Adjustment") are included in the statement of income as "Financial Result". On the other hand, assets classified as FUTOCI will never have their effects from the measurement at fair value recognized in the statement of income, even if they are sold, and these amounts should be reclassified as retained earnings.

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.

### III. 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.

### IV. Impairment of financial assets

ITAÚSA and its subsidiaries assess, at each balance sheet date, the need to recognize impairment losses for all financial assets measured at amortized cost and at fair value through other comprehensive income. This assessment excludes financial assets measured at fair value through profit or loss and equity instruments, even if these are classified as measured at fair value through other comprehensive income.

Impairment losses are calculated taking into account a number of factors, such as the credit status of each financial asset, the analysis of the economic or sector scenario, and the history of losses recognized in previous periods.

The amount of impairment loss is measured as the difference between the book value of assets and the present value of estimated future cash flows, discounted at the original interest rate of financial assets. The book value of the asset is reduced and the loss amount is recognized in the statement of income. If a financial asset has a variable interest rate, the discount rate used to measure an impairment loss will be the effective interest rate adjusted according to the agreement. If, in a subsequent period, the amount of the impairment loss decreases, the reversal of this previously recorded loss will be recorded in the statement of income.

### 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 CPC 18 / 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".

As from the third quarter of 2018, ITAÚSA recognizes the effects of hyperinflation in Argentina arising from its joint-controlled subsidiaries (Itaú Unibanco Holding and Alpargatas), in conformity with IAS 29 – Financial Reporting in Hyperinflationary Economies.

### 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 10.

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 12. 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 18.

## 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 non-financial Area, subdivided into Alpargatas, Duratex and NTS - Nova Transportadora do Sudeste.

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):

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Cash and deposits on demand | 141 | 84 |
| Investments in fixed income and investment funds | 1,204 | 71 |
| Bank deposit certificates | 909 | 992 |
| Repurchase agreements | - | 71 |
| **Total** | **2,254** | **1,218** |

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 - FAIR VALUE THROUGH PROFIT OR LOSS

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Investiment - NTS (*) | 986 | 943 |
| Financial treasury bills | - | 52 |
| **Total** | **986** | **995** |

*(*) It refers to the 7.65% interest of ITAÚSA in the capital of Nova Transportadora do Sudeste S.A. - NTS acquired on April 4, 2017.*

## NOTE 5 – FINANCIAL ASSETS - AMORTISED COST

On April 4, 2017, ITAÚSA acquired stock convertible debentures issued by Nova Transportadora do Sudeste S.A. - NTS, maturing in ten years, in the total amount of R$ 444, with interest at 100% of CDI plus interest of 4% per year.

The total debenture value, in the amount of R$448, was redeemed in advance on May 15, 2018.

The amount of R$ 17 (R$ 30 from 01/01 to 09/30/2017), related to interest income from these debentures, was recorded in income for the period, in line Financial Result.

## NOTE 6 - TRADE ACCOUNTS RECEIVABLE

| Trade Accounts Receivable | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Domestic customers | 1,157 | 1,027 |
| Foreign customers | 214 | 138 |
| Related parties | 20 | 35 |
| Impairment | (88) | (109) |
| **Total** | **1,303** | **1,091** |

The balances of accounts receivable by maturity are as follows:

| Maturities | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Not yet due | 1,147 | 1,025 |
| Past-due up to 30 days | 71 | 45 |
| From 31 to 60 days | 34 | 16 |
| From 61 to 90 days | 20 | 8 |
| From 91 to 180 days | 20 | 8 |
| More than 180 days | 99 | 98 |
| **Total** | **1,391** | **1,200** |

Below are the changes in the allowance for doubtful accounts:

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Opening balance | (109) | (100) |
| Constitution of provision | (12) | (13) |
| Write-offs | 4 | 4 |
| Write-off related to sale of Elekeiroz shares | 29 | - |
| **Closing Balance** | **(88)** | **(109)** |

## NOTE 7 - OTHER ASSETS AND LIABILITIES

### a) Other assets

| | 09/30/2018 | | | 12/31/2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| **Other financial assets** | | | | | | |
| Deposits as guarantees for contingent liabilities | - | 96 | 96 | - | 99 | 99 |
| Dividends and interest on stockholders' equity receivable | 36 | - | 36 | 630 | - | 630 |
| Amounts receivable from the sale of fixed assets | 404 | 20 | 424 | 59 | 32 | 91 |
| Retirement plan assets (Note 24) | 5 | 114 | 119 | 4 | 128 | 132 |
| Government debt certificates | - | - | - | - | 2 | 2 |
| Acquisition escrow accounts | 3 | 30 | 33 | 3 | 27 | 30 |
| Forest incentives | - | 11 | 11 | - | 13 | 13 |
| Electricity sales | 2 | - | 2 | 4 | - | 4 |
| Sale of Elekeiroz shares (Note 9c) | - | 29 | 29 | - | - | - |
| Indemnifiable assets | - | 26 | 26 | - | - | - |
| Other amounts receivable | - | 27 | 27 | 25 | 30 | 55 |
| **Total** | **450** | **353** | **803** | **725** | **331** | **1,056** |
| **Other non-financial assets** | | | | | | |
| Prepaid expenses | 14 | - | 14 | - | - | - |
| Investment property | - | 24 | 24 | - | 26 | 26 |
| Held-for-sale assets (*) | - | 74 | 74 | - | 20 | 20 |
| Other | - | 13 | 13 | 22 | - | 22 |
| **Total** | **14** | **111** | **125** | **22** | **46** | **68** |

*(*) Amounts accounted for from the acquisition of subsidiaries Ceusa and Massima, in connection with the right to receivables from former owners in the event Duratex has future expenditures from such acquisition.*

### b) Other liabilities

| | 09/30/2018 | | | 12/31/2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Suppliers | 404 | - | 404 | 350 | - | 350 |
| Personnel provision | 163 | - | 163 | 146 | - | 146 |
| Accounts payable (from SCPs) to shareholders (*) | 35 | 94 | 129 | 44 | 94 | 138 |
| Advances from customers | 25 | 2 | 27 | 19 | 5 | 24 |
| Acquisitions of companies | 33 | 32 | 65 | 37 | 32 | 69 |
| Freight and insurance payable | 20 | - | 20 | 14 | - | 14 |
| Commission payable | 10 | - | 10 | 8 | - | 8 |
| Acquisitions of reforestation areas | 6 | - | 6 | 5 | - | 5 |
| Product warranty and technical support | 24 | 4 | 28 | 13 | 4 | 17 |
| Commercial leasing | - | 9 | 9 | - | 9 | 9 |
| Liabilities provided with joint operation partner | - | 33 | 33 | - | 25 | 25 |
| Liabilities payable - NTS | - | 304 | 304 | - | 245 | 245 |
| Other | 39 | 18 | 57 | 51 | 42 | 93 |
| **Total** | **759** | **496** | **1,255** | **687** | **456** | **1,143** |

*(*) SCPs: Partnerships in which some partners are passive*

## NOTE 8 – INVENTORY

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Raw materials, supplies and packaging | 264 | 254 |
| Finished products | 367 | 385 |
| Work in progress | 119 | 104 |
| Showrooms | 117 | 124 |
| Advances to suppliers | 1 | 3 |
| Allowance for inventory losses | (21) | (31) |
| **Total** | **847** | **839** |

The cost of inventory recognized in results and included in “Cost of products and services” totaled R$ 3,031 (R$ 2,726 at September 30, 2017).

At September 30, 2018 and December 31, 2017, the subsidiaries of ITAÚSA did not have any inventory pledged as collateral.

## NOTE 9 – 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. | Alpargatas S.A. | Duratex S.A. | Itautec S.A. | Itaúsa Empreend. S.A. | ITH Zux Cayman company Ltd. |
| **Stockholders' equity at 12/31/2016** | | | | | | | |
| Capital | 97,148 | 12,430 | 648 | 1,962 | 272 | 262 | 45 |
| Treasury shares | (1,882) | - | (64) | (28) | - | - | - |
| Carrying value adjustments | (3,792) | (1,214) | (146) | 398 | - | - | - |
| Reserves | 26,836 | 19,069 | 1,538 | 2,238 | - | 48 | - |
| Other | 1,785 | - | - | - | (216) | - | (43) |
| **Balance at 12/31/2016** | **120,095** | **30,285** | **1,976** | **4,570** | **56** | **310** | **2** |
| **Changes from 01/01 to 09/30/2017** | **8,365** | **2,236** | **201** | **107** | **(17)** | - | - |
| Net income | 18,387 | 2,530 | 315 | 100 | (17) | - | - |
| Treasury shares | (508) | - | - | - | - | - | - |
| Dividends and interest on capital | (9,523) | (295) | (111) | - | - | - | - |
| Other comprehensive income | 623 | 163 | (3) | 5 | - | - | - |
| Other | (614) | (162) | - | 2 | - | - | - |
| **Stockholders' equity at 09/30/2017** | | | | | | | |
| Capital | 97,148 | 13,500 | 648 | 1,962 | 56 | 262 | 39 |
| Treasury shares | (2,409) | - | (64) | (28) | - | - | - |
| Carrying value adjustments | (3,169) | (1,051) | (149) | 403 | - | - | - |
| Reserves | 35,179 | 20,072 | 1,742 | 2,340 | - | 48 | - |
| Other | 1,711 | - | - | - | (17) | - | (37) |
| **Balance at 09/30/2017** | **128,460** | **32,521** | **2,177** | **4,677** | **39** | **310** | **2** |
| **Stockholders' equity at 12/31/2017** | | | | | | | |
| Capital | 97,148 | 13,500 | 648 | 1,962 | 56 | 262 | 45 |
| Treasury shares | (2,743) | - | (64) | (28) | - | - | - |
| Carrying value adjustments | (2,632) | (908) | (149) | 417 | - | - | - |
| Reserves | 37,675 | 20,939 | 1,751 | 2,364 | - | 43 | - |
| Other | 1,930 | - | - | - | (23) | - | (43) |
| **Balance at 12/31/2017** | **131,378** | **33,531** | **2,186** | **4,715** | **33** | **305** | **2** |
| **Changes from 01/01 to 09/30/2018** | **(1,499)** | **(488)** | **63** | **674** | **(3)** | **(1)** | - |
| Net income | 18,254 | 429 | 258 | 574 | (3) | (1) | - |
| Treasury shares | 623 | - | - | 1 | - | - | - |
| Dividends and interest on capital | (19,399) | (660) | (208) | - | - | - | - |
| Other comprehensive income | (647) | (171) | 16 | 105 | - | - | - |
| Other (1) | (330) | (86) | (3) | (6) | - | - | - |
| **Stockholders' equity at 09/30/2018** | | | | | | | |
| Capital | 97,148 | 16,000 | 648 | 1,962 | 56 | 262 | 49 |
| Treasury shares | (1,963) | - | (64) | (27) | - | - | - |
| Carrying value adjustments | (3,279) | (1,079) | (133) | 522 | - | - | - |
| Reserves | 36,045 | 18,122 | 1,798 | 2,932 | - | 42 | - |
| Other | 1,928 | - | - | - | (26) | - | (47) |
| **Balance at 09/30/2018** | **129,879** | **33,043** | **2,249** | **5,389** | **30** | **304** | **2** |

*(1) Includes Argentina´s hyperinflation adjustment.*

## 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. | Alpargatas S.A. | Duratex S.A. | Itautec S.A. | Itaúsa Empreend. S.A. | ITH Zux Cayman Company Ltd. |
| **Outstanding Common shares at 09/30/2017** | **3,351,741,143** | **710,454,184** | **241,608,525** | **689,305,842** | **11,072,186** | **2,186,700** | **12,200,000** |
| Shares of capital | 3,351,744,217 | 710,454,184 | 241,608,551 | 691,784,501 | 11,072,186 | 2,186,700 | 12,200,000 |
| Treasury shares | (3,074) | - | (26) | (2,478,659) | - | - | - |
| **Outstanding Preferred shares at 09/30/2017** | **3,152,611,081** | **350,942,273** | **221,444,849** | - | - | - | - |
| Shares of capital | 3,230,563,326 | 350,942,273 | 228,841,226 | - | - | - | - |
| Treasury shares | (77,952,245) | - | (7,396,377) | - | - | - | - |
| **Outstanding shares 09/30/2017** | **6,504,352,224** | **1,061,396,457** | **463,053,374** | **689,305,842** | **11,072,186** | **2,186,700** | **12,200,000** |
| **Number of shares owned by ITAÚSA at 09/30/2017** | **1,296,050,600** | **706,169,365** | - | **250,968,698** | **10,953,371** | **2,186,700** | **12,200,000** |
| Common shares | 1,295,937,718 | 355,227,092 | - | 250,968,698 | 10,953,371 | 2,186,700 | 12,200,000 |
| Preferred shares | 112,882 | 350,942,273 | - | - | - | - | - |
| **Direct interest at 09/30/2017** | | | | | | | |
| Interest in capital | 19.93% | 66.53% | 0.00% | 36.41% | 98.93% | 100.00% | 100.00% |
| Interest in voting capital | 38.66% | 50.00% | 0.00% | 36.41% | 98.93% | 100.00% | 100.00% |
| **Common shares in circulation at 09/30/2018** | **3,305,526,906** | **710,454,184** | **241,608,525** | **689,373,842** | **11,072,186** | **2,186,700** | **12,200,000** |
| Shares of capital | 3,305,526,906 | 710,454,184 | 241,608,551 | 691,784,501 | 11,072,186 | 2,186,700 | 12,200,000 |
| Treasury shares | - | - | (26) | (2,410,659) | - | - | - |
| **Preferred shares in circulation at 09/30/2018** | **3,170,437,606** | **350,942,273** | **221,444,849** | - | - | - | - |
| Shares of capital | 3,230,563,326 | 350,942,273 | 228,841,226 | - | - | - | - |
| Treasury shares | (60,125,720) | - | (7,396,377) | - | - | - | - |
| **Outstanding shares at 09/30/2018** | **6,475,964,512** | **1,061,396,457** | **463,053,374** | **689,373,842** | **11,072,186** | **2,186,700** | **12,200,000** |
| **Number of shares owned by ITAÚSA at 09/30/2018** | **1,296,050,600** | **706,169,365** | **127,591,556** | **252,807,715** | **10,953,371** | **2,186,700** | **12,200,000** |
| Common shares | 1,295,937,718 | 355,227,092 | 103,623,035 | 252,807,715 | 10,953,371 | 2,186,700 | 12,200,000 |
| Preferred shares | 112,882 | 350,942,273 | 23,968,521 | - | - | - | - |
| **Direct interest at 09/30/2018** | | | | | | | |
| Interest in capital | (1) 20.01% | 66.53% | 27.55% | 36.67% | 98.93% | 100.00% | 100.00% |
| Interest in voting capital | (2) 39.21% | 50.00% | 42.89% | 36.67% | 98.93% | 100.00% | 100.00% |

*(1) Itaúsa holds a direct interest in Itaú Unibanco Holding S.A. of 20.01% and an indirect interest of 17.56% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 26.4% direct interest in Itaú Unibanco Holding S.A., totaling 37.57% interest in the capital.*

*(2) The direct interest in the common shares of Itaú Unibanco Holding S.A. is 39.21% and the indirect interest is 25.86% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 51.71% direct interest in the common shares of Itaú Unibanco Holding S.A., totaling 65.06% of the voting capital.*

## c) Change in investments

| Investments | Joint Ventures | | | Subsidiaries | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Itaú Unibanco Holding S.A. | IUPAR - Itaú Unibanco Participações S.A. | Alpargatas S.A | Duratex S.A. | Elekeiroz S.A. | Itautec S.A. | Itaúsa Empreend. S.A. | ITH Zux Cayman Company Ltd. | |
| **Investment balance at 12/31/2016** | | | | | | | | | |
| Interest in capital | 23,899 | 20,149 | - | 1,619 | 108 | 55 | 310 | 2 | 46,142 |
| Unrealized income (loss) | (12) | - | - | - | - | - | - | - | (12) |
| Fair value - identifiable net assets | 79 | - | - | - | - | - | - | - | 79 |
| Goodwill | 460 | - | - | - | - | - | - | - | 460 |
| **Balance at 12/31/2016** | **24,426** | **20,149** | **-** | **1,619** | **108** | **55** | **310** | **2** | **46,669** |
| **Changes from 01/01 to 09/30/2017** | **1,689** | **1,488** | **1,740** | **77** | **23** | **(17)** | **(1)** | **-** | **4,999** |
| Share of income | 5,035 | 1,683 | - | 26 | 23 | (17) | (1) | - | 6,749 |
| Dividends and interest on capital | (3,349) | (196) | - | - | - | - | - | - | (3,545) |
| Purchase of shares | - | - | 1,740 | 51 | - | - | - | - | 1,791 |
| Sale of investments | - | - | - | (2) | - | - | - | - | (2) |
| Other comprehensive income | 125 | 108 | - | 2 | - | - | - | - | 235 |
| Other | (122) | (107) | - | - | - | - | - | - | (229) |
| **Investment balance at 09/30/2017** | | | | | | | | | |
| Interest in capital | 25,597 | 21,637 | 593 | 1,696 | 131 | 38 | 309 | 2 | 50,003 |
| Unrealized income (loss) | (12) | - | - | - | - | - | - | - | (12) |
| Fair value - identifiable net assets | 70 | - | 548 | - | - | - | - | - | 618 |
| Goodwill | 460 | - | 599 | - | - | - | - | - | 1,059 |
| **Balance at 09/30/2017** | **26,115** | **21,637** | **1,740** | **1,696** | **131** | **38** | **309** | **2** | **51,668** |
| **Market value at 09/30/2017 (*)** | **105,485** | **-** | **2,006** | **2,387** | **208** | **171** | **-** | **-** | **110,257** |
| **Investment balance at 12/31/2017** | | | | | | | | | |
| Interest in capital | 26,339 | 22,308 | 602 | 1,723 | 146 | 32 | 304 | 2 | 51,456 |
| Unrealized income (loss) | (12) | - | - | - | - | - | - | - | (12) |
| Fair value - identifiable net assets | 68 | - | 548 | - | - | - | - | - | 616 |
| Goodwill | 460 | - | 599 | - | - | - | - | - | 1,059 |
| **Balance at 12/31/2017** | **26,855** | **22,308** | **1,749** | **1,723** | **146** | **32** | **304** | **2** | **53,119** |
| **Changes from 01/01 to 09/30/2018** | **(353)** | **(324)** | **(14)** | **246** | **(146)** | **(3)** | **(1)** | **-** | **(595)** |
| Share of income | 6,696 | 285 | 39 | 210 | 32 | (3) | (1) | - | 7,258 |
| Dividends and interest on capital | (6,856) | (439) | (56) | - | - | - | - | - | (7,351) |
| Sale of investments | - | - | - | - | (178) | - | - | - | (178) |
| Other comprehensive income | (128) | (114) | 4 | 38 | - | - | - | - | (200) |
| Other (2) | (65) | (56) | (1) | (2) | - | - | - | - | (124) |
| **Investment balance at 09/30/2018** | | | | | | | | | |
| Interest in capital | 25,995 | 21,984 | 619 | 1,969 | - | 29 | 303 | 2 | 50,901 |
| Unrealized income (loss) | (12) | - | - | - | - | - | - | - | (12) |
| Fair value - identifiable net assets | 59 | - | 517 | - | - | - | - | - | 576 |
| Goodwill | 460 | - | 599 | - | - | - | - | - | 1,059 |
| **Balance at 09/30/2018** | **26,502** | **21,984** | **1,735** | **1,969** | **-** | **29** | **303** | **2** | **52,524** |
| **Market Value of the Stake at 09/30/2018 (*)** | **107,383** | **-** | **1,563** | **2,283** | **-** | **165** | **-** | **-** | **111,394** |

*(1) Disclosed only for public companies.*
*(2) Includes Argentina's hyperinflation adjustment.*

## Disposal of ownership interest of Elekeiroz

On June 4, 2018, Itaúsa completed the sale of all shares of Elekeiroz S.A it held, represented by 14,261,761 common and 16,117,360 preferred shares, to Kilimanjaro Brasil Partners I B - Fundo de Investimento em Participações Multiestratégia Investimento no Exterior.

As a result of the close of this deal, Itaúsa received R$ 29. It will additionally receive R$ 29 related to price adjustments, as contractually provided for accordingly.

### d) Interest in Alpargatas S.A.

On July 12, 2017, ITAÚSA, together with Brasil Warrant Administração de Bens e Empresas S.A. ("BW") and Cambuhy Investimentos Ltda. ("Cambuhy"), signed a purchase agreement for 54.24% of the capital stock of Alpargatas S.A., and after the completion of this transaction, ITAÚSA hold 27.12% (27.55%, including the number of outstanding shares only) of Alpargatas' total capital stock. This stake is represented by 103,623,035 common shares (42.889% of total common shares) and 23,968,521 preferred shares (10.474% of preferred shares).

This transaction was closed on September 20, 2017, with ITAÚSA's disbursement of R$1,740 and the execution of a Shareholders' Agreement among Itaúsa, BW and Cambuhy for the shared management of Alpargatas. Among other provisions, this agreement includes the majority and equal appointment of members to Alpargatas' Board of Directors.

In conformity with CPC 18 (R2) / IAS 28, "Investments in Associates and Joint Ventures", ITAÚSA's interest in Alpargatas was recognized as an Investment in Joint Ventures and is accounted for under the equity method, from the date of acquisition.

The acquisition of the company was accounted for based on studies to determine the fair value of the acquired assets and liabilities assumed and, in conformity with CPC 15 / IFRS 3 – "Business Combinations". The final determination of the purchase price allocation was finalized by ITAÚSA in the first half of 2018, as permitted by CPC 15.

The fair value of Alpargatas' assets and liabilities identifiable at the acquisition date is as follows:

| | 08/31/2017 |
|---|---|
| **Assets measured at fair value upon acquisition** | **4,970** |
| Cash, banks and financial investments | 227 |
| Trade accounts receivable | 508 |
| Other accounts receivable | 120 |
| Inventories | 598 |
| Investments in subsidiaries | 1,074 |
| Intangible assets | 1,536 |
| Fixed assets | 767 |
| Deferred income tax and social contribution | 58 |
| Other assets | 82 |
| **Liabilities measured at fair value upon acquisition** | **(828)** |
| Loans and financing | (359) |
| Trade accounts payable | (229) |
| Civil, labor and tax provisions | (37) |
| Taxes and contributions | (12) |
| Personnel expenses | (112) |
| Other liabilities | (79) |
| **Net assets measured at fair value upon acquisition** | **4,142** |
| % of interest acquired by Itaúsa | 27.55% |
| Interest acquired by Itaúsa (at fair value) (a) | 1,141 |
| Acquisition price – Consideration transferred (b) | 1,740 |
| **Goodwill (b - a)** | **599** |

The table below shows the main information from the financial statements of Alpargatas:

| Information | 09/30/2018 |
|---|---|
| Total assets | 3,892 |
| Total liabilities | 1,573 |
| Stockholders' Equity | 2,319 |
| Net income | 251 |

## II) ITAÚSA CONSOLIDATED

### a) Composition of investments in associates and jointly controlled entities

| Investments | Joint Ventures | | | Associates | Total |
|---|---|---|---|---|---|
| | Itaú Unibanco Holding S.A. | IUPAR - Itaú Unibanco Participações S.A. | Alpargatas S.A | Viva Decora | |
| Share of income from 01/01 to 09/30/2017 | 5,035 | 1,683 | - | - | 6,718 |
| Investiment balance at 12/31/2017 | 26,855 | 22,308 | 1,749 | 6 | 50,934 |
| Share of income from 01/01 to 09/30/2018 | 6,696 | 285 | 39 | (1) | 7,019 |
| Investiment balance at 09/30/2018 | 26,502 | 21,984 | 1,735 | 9 | 50,230 |

### 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 (*) | 09/30/2018 | 12/31/2017 |
|---|---|---|
| **Assets** | **1,524,494** | **1,436,244** |
| Cash and deposits on demand | 29,467 | 18,749 |
| Financial assets | 861,706 | 832,532 |
| Loan operations and lease operations portfolio | 534,372 | 497,719 |
| Tax assets | 46,827 | 44,254 |
| Other assets | 52,122 | 42,990 |
| **Liabilities** | **1,380,811** | **1,294,279** |
| Financial Liabilities | 1,125,213 | 1,056,683 |
| Reserves for insurance and private pensions | 194,456 | 181,232 |
| Civil, labor, tax and social security lawsuits | 18,971 | 19,736 |
| Other liabilities | 42,171 | 36,628 |

*(*) Basically represented by Itaú Unibanco Holding.*

| Other Financial Information - Itaú Unibanco Holding | 01/01 to 09/30/2018 | 01/01 to 09/30/2017 |
|---|---|---|
| Interest and similar income | 99,664 | 112,455 |
| Interest and similar expenses | (50,797) | (62,854) |
| Net income before income tax and social contribution | 20,230 | 27,365 |
| Income tax and social contribution (*) | (1,448) | (8,650) |
| Net income | 18,782 | 18,715 |
| Net income attributable to the owners of the parent company | 18,254 | 18,387 |
| Other comprehensive income | (647) | 623 |
| Total comprehensive income | 17,607 | 19,010 |

*(*) Considering the temporary effects introduced by Law nº. 13,169/15, which increased the social contribution rate to 20% through December 31, 2018, tax credits were recognized based on their likelihood of realization. As at 09/30/2018 and 12/31/2017, there are no unrecognized tax credits.*

## NOTE 10 – 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 12/31/2016** | | | | | | | | |
| 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** |
| **Changes from 01/01 to 09/30/2017** | **5** | **(10)** | **(62)** | **(1)** | - | **13** | **4** | **(51)** |
| Acquisitions | - | 2 | 13 | 1 | - | 86 | 5 | **107** |
| Write-offs | - | - | (1) | - | - | - | - | **(1)** |
| Depreciation | - | (18) | (146) | (2) | (1) | - | (9) | **(176)** |
| Transfers | - | 6 | 58 | - | 1 | (73) | 8 | - |
| Impairment | - | - | 13 | - | - | - | - | **13** |
| Other | 5 | - | 1 | - | - | - | - | **6** |
| **Balance at 09/30/2017** | | | | | | | | |
| Cost | 760 | 1,128 | 4,745 | 62 | 61 | 138 | 213 | **7,107** |
| Accumulated depreciation | - | (464) | (2,590) | (42) | (52) | - | (131) | **(3,279)** |
| Impairment | - | (9) | (119) | (1) | - | (8) | - | **(137)** |
| **Net book value** | **760** | **655** | **2,036** | **19** | **9** | **130** | **82** | **3,691** |
| *Annual depreciation rates (%)* | - | *4%* | *5% to 20%* | *10%* | *10%* | - | *4% to 20%* | |
| **Balance at 12/31/2017** | | | | | | | | |
| Cost | 760 | 1,179 | 4,813 | 64 | 64 | 144 | 223 | **7,247** |
| Accumulated depreciation | - | (479) | (2,688) | (43) | (53) | - | (139) | **(3,402)** |
| Impairment | - | (12) | (181) | (1) | - | (8) | 26 | **(176)** |
| **Net book value** | **760** | **688** | **1,944** | **20** | **11** | **136** | **110** | **3,669** |
| **Changes from 01/01 to 09/30/2018** | **(96)** | **(5)** | **(102)** | **(1)** | **1** | **(38)** | **(29)** | **(270)** |
| Acquisitions | 9 | 8 | 42 | 2 | 1 | 98 | 8 | **168** |
| Write-offs | (56) | - | (4) | - | - | - | (1) | **(61)** |
| Depreciation | - | (26) | (197) | (3) | (2) | - | (14) | **(242)** |
| Transfers (*) | (57) | 5 | 74 | - | 2 | (125) | - | **(101)** |
| Impairment | - | (1) | (11) | - | - | - | - | **(12)** |
| Other | 18 | 13 | 31 | - | - | - | 2 | **64** |
| Sale of Elekeiroz shares | (10) | (4) | (37) | - | - | (11) | (24) | **(86)** |
| **Balance at 09/30/2018** | | | | | | | | |
| Cost | 664 | 1,147 | 4,382 | 61 | 64 | 98 | 231 | **6,647** |
| Accumulated depreciation | - | (464) | (2,540) | (42) | (52) | - | (150) | **(3,248)** |
| Impairment | - | - | - | - | - | - | - | - |
| **Net book value** | **664** | **683** | **1,842** | **19** | **12** | **98** | **81** | **3,399** |
| *Annual depreciation rates (%)* | - | *4%* | *5% to 20%* | *10%* | *10%* | - | *4% to 20%* | |

*(*) It refers to transfer to Available-for-Sale Assets, according to Note 7a*

## NOTE 11 – INTANGIBLE ASSETS

| Intangible Assets | Software | Trademarks and patents | Goodwill for future profitability | Customer portfolio | Total |
|---|---|---|---|---|---|
| **Balance at 12/31/2016** | | | | | |
| Cost | 98 | 23 | 259 | 412 | **792** |
| Accumulated amortization | (59) | (3) | - | (189) | **(251)** |
| Impairment | (1) | (3) | - | - | **(4)** |
| **Net value** | **38** | **17** | **259** | **223** | **537** |
| **Change from 01/01 to 09/30/2017** | - | - | - | **(13)** | **(13)** |
| Acquisitions | 4 | - | - | - | **4** |
| Amortization expense | (4) | - | - | (13) | **(17)** |
| **Balance at 09/30/2017** | | | | | |
| Cost | 102 | 17 | 259 | 412 | **790** |
| Accumulated amortization | (63) | - | - | (202) | **(265)** |
| Impairment | (1) | - | - | - | **(1)** |
| **Net value** | **38** | **17** | **259** | **210** | **524** |
| *Annual amortization rates* | *20%* | - | - | *6.67%* | |
| **Balance at 12/31/2017** | | | | | |
| Cost | 108 | 64 | 359 | 412 | **943** |
| Accumulated amortization | (68) | - | - | (215) | **(283)** |
| Impairment | (1) | - | - | - | **(1)** |
| **Net value** | **39** | **64** | **359** | **197** | **659** |
| **Changes from 01/01 to 09/30/2018** | **7** | - | **9** | **(19)** | **(3)** |
| Acquisitions | 16 | - | 9 | - | **25** |
| Amortization expense | (6) | - | - | (21) | **(27)** |
| Sale of Elekeiroz shares | (3) | - | - | - | **(3)** |
| Other | - | - | - | 2 | **2** |
| **Balance at 09/30/2018** | | | | | |
| Cost | 113 | 65 | 368 | 415 | **961** |
| Accumulated amortization | (67) | (1) | - | (237) | **(305)** |
| **Net value** | **46** | **64** | **368** | **178** | **656** |
| *Annual amortization rates* | *20%* | - | - | *6.67%* | |

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

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| **Acquisitions** | | |
| Satipel | 188 | 188 |
| Thermosystem | 26 | 26 |
| Cerâmica Monte Carlo | 22 | 22 |
| Deca Nordeste | 17 | 17 |
| Duchacorona | 5 | 5 |
| Metalúrgica Jacareí | 2 | 2 |
| Ceusa e Massima | 99 | 99 |
| Caetex Florestal | 9 | - |
| **Net value** | **368** | **359** |

## NOTE 12 – BIOLOGICAL ASSETS (forest reserves)

ITAÚSA through its subsidiaries Duratex Florestal Ltda., Duratex S.A (new name of 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 September 30, 2018, these companies had approximately 158.3 thousand hectares in areas of effective planting (179.6 thousand hectares at December 31, 2017) 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 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.

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 5.7% p.a. at September 30, 2018. 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:

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Cost of formation of biological assets | 1,010 | 1,045 |
| Difference between cost and fair value | 556 | 654 |
| **Fair value of biological assets** | **1,566** | **1,699** |

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:

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| **Opening balance** | **1,699** | **1,529** |
| Variations in fair value | | |
| Volume price | 187 | 215 |
| Depletion | (219) | (123) |
| Transfer to Other Assets (*) | (66) | - |
| Variations in historical value | | |
| Formation | 205 | 176 |
| Depletion | (168) | (98) |
| Transfer to Other Assets (*) | (72) | - |
| **Closing balance** | **1,566** | **1,699** |

*(*) It refers to transfer to Available-for-Sale Assets, according to Note 7a*

| | 01/01 to 09/30/2018 | 01/01 to 09/30/2017 |
|---|---|---|
| **Effects of variations in the fair value of biological assets** | **(98)** | **29** |
| Variations in fair value | 121 | 121 |
| Depletion of fair value | (219) | (92) |

## NOTE 13 - 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 | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Income before income tax and social contribution** | **2,868** | **7,488** | **2,348** | **6,595** |
| Charges (income tax and social contribution) at the current rates | (975) | (2,546) | (798) | (2,242) |
| **Increase/decrease in income tax and social contribution charges arising from:** | | | | |
| **(Additions) / exclusions** | **828** | **2,352** | **832** | **2,160** |
| Share of comprehensive income of associates and joint ventures | 791 | 2,386 | 770 | 2,281 |
| Dividends on investments stated at acquisition cost | 11 | 35 | 15 | 34 |
| Interest on capital | 24 | (80) | 25 | (183) |
| Other | 2 | 11 | (3) | 3 |
| **Total income tax and social contribution** | **(147)** | **(194)** | **34** | **(82)** |

### b) Deferred income tax and social contribution

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

| | 12/31/2016 | Realization/ reversal | Increase | 12/31/2017 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Tax losses and social contribution loss carried forward | 578 | (13) | 20 | 585 |
| Allowance for loan losses | 11 | (1) | - | 10 |
| Adjustments to market value - securities and derivative financial instruments | 2 | - | 16 | 18 |
| Provision for contingent liabilities | 323 | (9) | 162 | 476 |
| Income Tax on Profits Abroad | - | - | 11 | 11 |
| Other | 47 | (4) | 15 | 58 |
| **Total deferred tax assets** | **961** | **(27)** | **224** | **1,158** |
| **Deferred tax liabilities** | | | | |
| Revaluation reserve | (48) | 3 | - | (45) |
| Present value of financing | (6) | 3 | (1) | (4) |
| Swap results | (32) | 28 | - | (4) |
| Depreciation | (13) | - | (2) | (15) |
| Pension plans | (37) | - | (2) | (39) |
| Sales of property | (18) | - | (1) | (19) |
| Biological Assets | (192) | - | (31) | (223) |
| Client Portfolio | (76) | 5 | - | (71) |
| Other liabilities | (74) | 1 | (3) | (76) |
| **Total deferred tax liabilities** | **(496)** | **40** | **(40)** | **(496)** |
| **Deferred tax assets, net** | **465** | **13** | **184** | **662** |

| | 12/31/2017 | Realization/ reversal | Increase | 09/30/2018 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Tax losses and social contribution loss carried forward (*) | 585 | (20) | 14 | 579 |
| Allowance for loan losses (*) | 10 | (1) | 1 | 10 |
| Adjustments to market value - securities and derivative financial instruments | 18 | - | 5 | 23 |
| Provision for contingent liabilities (*) | 476 | (4) | 82 | 554 |
| Income Tax on Profits Abroad | 11 | (11) | - | - |
| Other (*) | 58 | (16) | 27 | 69 |
| **Total deferred tax assets** | **1,158** | **(52)** | **129** | **1,235** |
| **Deferred tax liabilities** | | | | |
| Revaluation reserve | (45) | 3 | - | (42) |
| Present value of financing | (4) | 4 | - | - |
| Swap results | (4) | - | (12) | (16) |
| Depreciation | (15) | - | (3) | (18) |
| Pension plans (*) | (39) | 2 | (1) | (38) |
| Sales of property | (19) | 10 | - | (9) |
| Biological Assets | (223) | 32 | - | (191) |
| Client Portfolio | (71) | 6 | (3) | (68) |
| Other liabilities (*) | (76) | 1 | (28) | (103) |
| **Total deferred tax liabilities** | **(496)** | **58** | **(47)** | **(485)** |
| **Deferred tax assets, net** | **662** | **6** | **82** | **750** |

*(*) The amounts related to Elekeiroz, which totaled R$18, were written off and recorded in these headings, due to the sale of its ownership interest (Note 9c).*

II - We present below the estimated realization of Deferred Tax Assets:

| Year | 09/30/2018 |
|---|---|
| 2018 | 41 |
| 2019 | 374 |
| 2020 | 565 |
| 2021 | 44 |
| 2022 | 58 |
| 2023 onwards | 153 |
| **Total** | **1,235** |

III – On September 30, 2018, deferred tax assets not recognized totaled R$ 137.

## NOTE 14 – DEBENTURES

On May 24, 2017 ITAÚSA raised funds in the market through the issue in a single series of 12,000 debentures, non-convertible into shares, with face value of R$ 100 thousand each, with interest at 106.9% of CDI, with semiannual payments of interest and amortization of the principal amount in three annual successive installments, in May 2022, 2023 and 2024.

On September 30, 2018 the updated amount of these debentures was R$ 1,228 (R$ 1,208 at December 31, 2017).

## NOTE 15 – LOANS AND FINANCING

| Type [1] | Charges | Guarantees | 09/30/2018 | | 12/31/2017 | |
|---|---|---|---|---|---|---|
| | | | Current | Non Current | Current | Non Current |
| **Local currency** | | | | | | |
| BNB | 9,5% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 9 | 19 |
| BNDES | IPCA + 1.96% to 2.26% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 2 | 7 |
| BNDES | Fixed 2.5% to 7.9% p.a. | Surety - 70% Itaúsa and 30% natural person | 2 | 1 | 3 | 2 |
| BNDES | Fixed 2.5% to 7.9% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 1 | 1 |
| BNDES | Selic + 2.16% p.a. | Surety - 70% Itaúsa and 30% natural person | - | - | 1 | - |
| BNDES | TJLP + 1.72% to 4.32% p.a. | Surety - 70% Itaúsa and 30% natural person | 55 | 60 | 42 | 102 |
| BNDES | TJLP + 1.72% to 4.32% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 12 | 20 |
| CCB - Safra | 108.0% CDI | - | - | - | 200 | - |
| CRA | 98.0% CDI | Surety - Duratex S.A. | 12 | 694 | 1 | 692 |
| EXPORT CREDIT | 104.8% to 107.5% CDI | - | 210 | 440 | 203 | 534 |
| EXPORT CREDIT with swap | 5.6% to 9.0% p.a. | - | - | - | 20 | - |
| DISCOUNT NPR | 1.65% per month | - | - | - | 4 | - |
| EXIM SELIC | Selic + 3.6% p.a. | Promissory Note | - | - | 56 | - |
| EXIM TJLP | TJLP + 3.3% p.a. | Promissory Note | - | - | 117 | - |
| FGPP - BANCO DO BRASIL with Swap | Fixed 2.5% to 7.9% p.a. | - | 8 | 384 | - | - |
| FINAME | 5.6% to 9.0% p.a. | Chattel Mortgage and Surety Duratex S.A. | 1 | 2 | 1 | 3 |
| FINAME | 5.6% to 9.0% p.a. | Chattel Mortgage and Guarantee | 1 | 4 | 1 | 5 |
| FINAME | SELIC + 4.28% p.a. | Chattel Mortgage and Surety Duratex S.A. | - | 1 | - | 1 |
| FINAME | TJLP + 2.3% p.a./Fixed 6 % p.a. | Chattel Mortgage and Promissory Notes | 15 | 33 | 11 | 44 |
| FINAME | TJLP + 4.0% to 4.5% p.a. | Chattel Mortgage and Surety Duratex S.A. | 2 | 5 | 1 | 6 |
| FINEP | 3.5% to 4.0% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 6 | 5 |
| FNE | 7.53% p.a. | Surety - Duratex Florestal S.A. | - | 5 | - | - |
| FUNDIEST | 30 % IGP-M per month | Guarantee - Cia Ligna de Investimentos | 28 | 32 | 29 | 50 |
| NCE – SAFRA | 127.0% to 129.25% CDI | - | - | - | 27 | 25 |
| EXPORT CREDIT NOTE | 104.9% CDI | Surety - Duratex S.A. | 36 | 71 | 41 | 106 |
| PROMISSORY NOTE | 104.5% CDI | - | - | 531 | - | 505 |
| **Total local currency** | | | **370** | **2,263** | **788** | **2,127** |
| **Foreign currency** | | | | | | |
| 4131 – SAFRA | 131.7% CDI | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 17 | - |
| BNDES | Exchange variation + 2.12% to 2.16% p.a. | Surety - Itaúsa - Investimentos Itaú S.A. | - | - | 3 | 4 |
| CII | Libor + 3.95% p.a. | Pledge and Mortgage of Equipment | - | - | 1 | - |
| LEASING | DTF + 2.0% | Promissory Note | - | 1 | - | 1 |
| NCE – ABC | 127.0% to 129.25% CDI | - | - | - | 7 | 7 |
| RESOLUTION 4131 with Swap | US$ + 2.11% to 3.66% p.a. | Promissory Note | 180 | - | 232 | 181 |
| RESOLUTION 4131 with Swap | US$ + Libor + 1.5% p.a. | Promissory Note | 178 | - | 2 | 178 |
| **Total foreign currency** | | | **358** | **1** | **262** | **371** |
| **Total Itaúsa Consolidated** | | | **728** | **2,264** | **1,050** | **2,498** |

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

| Maturities | 09/30/2018 | 12/31/2017 |
|---|---|---|
| 2019 | 163 | 785 |
| 2020 | 1,309 | 925 |
| 2021 | 82 | 86 |
| 2022 | 700 | 697 |
| 2023 | 3 | 2 |
| 2024 | 2 | 3 |
| 2025 | 2 | - |
| 2026 | 3 | - |
| **Total** | **2,264** | **2,498** |

| Reconciliation of net debt | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Short-term loans | 728 | 1,050 |
| Long-term loans | 2,264 | 2,498 |
| **Total debt** | **2,992** | **3,548** |
| Cash and cash equivalents (note 3) | (2,254) | (1,218) |
| **Net debt** | **738** | **2,330** |

## NOTE 16 – 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.

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| **Tax lawsuits (*)** | **190** | **210** |
| IPI bonus credit from 1980 to 1985 | 120 | 119 |
| Monetary adjustment of credits from Eletrobrás | 13 | 13 |
| INSS - Social Security Contributions | 42 | 37 |
| Integration program tax on revenue ("PIS") and social security funding tax on revenue ("COFINS") | 3 | 21 |
| Other | 12 | 20 |
| **Civil lawsuits (*)** | - | **18** |
| Collection/execution of out-of-court instruments | - | 15 |
| Other | - | 3 |
| **Total** | **190** | **228** |

*(*) On June 30, 2018, the amounts related to Elekeiroz, in view of the sale of its ownership interest, were not included (Note 9c).*

### 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 12/31/2016** | **919** | **100** | **22** | **1,041** |
| Restatement/ Fine | 242 | 10 | 2 | 254 |
| Increase | 199 | 47 | 4 | 250 |
| Reversal | (20) | (19) | (6) | (45) |
| Payments/ Conversion into Income | (14) | (35) | (10) | (59) |
| Business Acquisition/ Combination - Ceusa and Massima | 9 | 6 | 20 | 35 |
| Transfer to Other Liabilities (*) | (5) | - | - | (5) |
| **Balance at 12/31/2017** | **1,330** | **109** | **32** | **1,471** |
| Escrow deposits | (33) | (22) | - | (55) |
| **Balance at 12/31/2017 after the offset of escrow deposits** | **1,297** | **87** | **32** | **1,416** |

*(*) Refers to subsidiary Duratex, in view of this company's adhering to the payment installment program.*

| | Tax | Labor | Civil | Total |
|---|---|---|---|---|
| **Balance at 12/31/2017** | **1330** | **109** | **32** | **1,471** |
| Restatement/ Fine | 47 | 7 | 2 | 56 |
| Increase | 197 | 29 | 3 | 229 |
| Reversal | - | (22) | (8) | (30) |
| Payments/ Conversion into Income | (6) | (18) | - | (24) |
| Write-off related to sale of Elekeiroz shares | (3) | (12) | (7) | (22) |
| **Balance at 09/30/2018** | **1,565** | **93** | **22** | **1,680** |
| Escrow deposits | (239) | (18) | - | (257) |
| **Balance at 09/30/2018 after the offset of escrow deposits** | **1,326** | **75** | **22** | **1,423** |

The main discussions related to tax provision are as follows:

- PIS and COFINS – R$ 1,468: The right to calculate and pay PIS and COFINS based on the cumulative tax system is being discussed.

### 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 September 30, 2018, these lawsuits totaled R$ 1,098 for tax lawsuits, R$ 57 for labor claims and R$ 58 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$ 565: cases in which the liquidity and certainty of offsetting credits are being discussed;
- Taxation of revaluation reserve – R$ 286: discussion related to taxation of revaluation reserve in corporate spin-off operations carried out in the period from 2006–2009;
- Levying of tax on circulation of goods and services (ICMS) credits – R$ 59: discussion regarding the levying, recognition and use of ICMS credits;
- PIS and COFINS – disallowance of credits – R$ 51: the restriction regarding the right to credits in connection with certain inputs related to these contributions is being disputed;
- Differences in accessory obligations – R$ 18: 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$ 15: discussion of the calculation basis for the levying of these taxes on profits earned abroad;
- IRPJ and CSLL – disallowance of credits - R$ 13: Deduction of tax paid overseas by the parent company is being disputed.

## NOTE 17 – STOCKHOLDERS' EQUITY

### a) Capital

At the meeting held on May 24, 2018, the Board of Directors approved resolutions to:

- Increase subscribed paid-up capital to R$38,515, from R$37,145, by issuing 175,641.026 new book-entry shares, with no par value, of which 66,355,919 are common and 109,285,107 are preferred shares, for private subscription at R$7.80 per share;

- Increase subscribed paid-up capital to R$43,515, from R$38,515, by way of a capitalization of revenue reserves. The company issued 764,927,089 new book-entry preferred shares, with no par value, which were assigned free of charge to stockholders as bonus, in the proportion of one (1) new preferred share for each ten (10) common and/or preferred shares they held on the base date;

Subscribed paid-in capital now totals R$ 43,515, represented by 8,414,197,988 book-entry shares, with no par value, of which 2,889,839,643 are common and 5,524,358,345 are non-voting preferred shares, entitled to 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.

Authorized capital stock is equivalent to 12,000,000,000 book-entry shares, with no par value, of which up to 4,000,000,000 common and up to 8,000,000,000 preferred 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, 2017 and September 30, 2018:

| | Number | | | Amount |
|---|---|---|---|---|
| | Common | Preferred | Total | |
| **Shares outstanding at 12/31/2016** | **2,828,112,054** | **4,575,176,570** | **7,403,288,624** | **36,405** |
| **Changes in shares of paid-in capital from 01/01 to 12/31/2017** | **(31,447,330)** | **74,969,579** | **43,522,249** | **740** |
| Cancellation of treasury stock | (77,789,229) | - | (77,789,229) | - |
| Subscription of shares | 46,341,899 | 74,969,579 | 121,311,478 | 740 |
| **Shares of capital stock at 12/31/2017** | **2,823,483,724** | **4,650,146,149** | **7,473,629,873** | **37,145** |
| Residents in Brazil | 2,821,665,246 | 2,693,462,873 | 5,515,128,119 | 27,411 |
| Residents abroad | 1,818,478 | 1,956,683,276 | 1,958,501,754 | 9,734 |
| **Treasury shares at 12/31/2017** | - | - | - | - |
| Treasury shares at 12/31/2016 | (26,819,000) | - | (26,819,000) | - |
| Shares purchased | (50,970,229) | - | (50,970,229) | - |
| Cancellation of treasury stock | 77,789,229 | - | 77,789,229 | - |
| **Shares outstanding at 12/31/2017** | **2,823,483,724** | **4,650,146,149** | **7,473,629,873** | **37,145** |
| **Changes in shares of paid-in capital from 01/01 to 09/30/2018** | **66,355,919** | **874,212,196** | **940,568,115** | **6,370** |
| Capital increase based on capitalization of revenue reserves | - | - | - | 5,000 |
| 10% bonus shares | - | 764,927,089 | 764,927,089 | - |
| Subscription of shares | 66,355,919 | 109,285,107 | 175,641,026 | 1,370 |
| **Shares of capital stock at 09/30/2018** | **2,889,839,643** | **5,524,358,345** | **8,414,197,988** | **43,515** |
| Residents in Brazil | 2,887,940,593 | 3,337,791,979 | 6,225,732,572 | 32,197 |
| Residents abroad | 1,899,050 | 2,186,566,366 | 2,188,465,416 | 11,318 |
| **Treasury shares at 09/30/2018** | - | **(3,500,000)** | **(3,500,000)** | - |
| Treasury shares at 12/31/2017 | - | - | - | - |
| Shares purchased (*) | - | (3,500,000) | (3,500,000) | - |
| **Shares outstanding at 09/30/2018** | **2,889,839,643** | **5,520,858,345** | **8,410,697,988** | **43,515** |

*(*) 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$ 9.22.*

## b) Treasury Shares

In the period from January 1 to September 30, 2018, ITAÚSA traded its own shares for treasury stock, according table below:

| | Number | | | Amount |
|---|---|---|---|---|
| | Common | Preferred | Total | |
| **Treasury Shares at 12/31/2016** | **(26,819,000)** | - | **(26,819,000)** | **(204)** |
| Shares purchased | (50,970,229) | - | (50,970,229) | (449) |
| Cancellation of treasury stock | 77,789,229 | - | 77,789,229 | 653 |
| **Treasury Shares at 12/31/2017** | - | - | - | - |
| Shares purchased | - | (3,500,000) | (3,500,000) | (32) |
| **Treasury Shares at 09/30/2018** | - | **(3,500,000)** | **(3,500,000)** | **(32)** |

## c) 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.

**I. Calculation**

| | | |
|---|---|---|
| Net income | 6,929 | |
| (-) Legal reserve | (346) | |
| Dividend calculation basis | 6,583 | |
| **Mandatory minimum dividend** | **1,646** | **25.00%** |
| **Dividends and Interest on Capital Paid/ Provided for** | **2,165** | **32.89%** |

**II. Stockholders' compensation**

| | Date of Payment | Value per share | | Gross | WTS | Net |
|---|---|---|---|---|---|---|
| | | Gross | Net | | | |
| **Paid** | | **0.2238** | **0.2224** | **1,883** | **(12)** | **1,871** |
| Quarterly installment | 07/02/2018 | 0.0150 | 0.0150 | 126 | - | 126 |
| Dividends | 08/30/2018 | 0.1992 | 0.1992 | 1,676 | - | 1,676 |
| Interest on capital | 08/30/2018 | 0.0096 | 0.0082 | 81 | (12) | 69 |
| **Provided for** | | **0.0350** | **0.0350** | **294** | - | **294** |
| Quarterly installment | 10/01/2018 | 0.0150 | 0.0150 | 126 | - | 126 |
| Quarterly installment | 01/02/2019 | 0.0200 | 0.0200 | 168 | - | 168 |
| **Total at 09/30/2018** | | **0.2588** | **0.2574** | **2,177** | **(12)** | **2,165** |
| **Total at 12/31/2017 (1)** | | **0.2336** | **0.1866** | **1,746** | **(211)** | **1,535** |

*(1) For comparative purposes, we considered bonuses.*

## d) 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.

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| **Revenue reserves** | **10,125** | **15,356** |
| Legal | 1,620 | 1,374 |
| Statutory | 8,505 | 13,982 |
| Dividend equalization | 3,759 | 4,518 |
| Working capital increases | 2,084 | 1,594 |
| Increases in the capital of investees | 2,662 | 2,868 |
| Proposal for distribution of additional dividends (*) | - | 5,002 |
| **Capital reserves** | **577** | **719** |
| **Total reserves at parent company** | **10,702** | **16,075** |

*(*) Refers to dividends and interest on capital exceeding the mandatory minimum dividend.*

| Details of reserves | Capital reserves | Revenue reserves | | Total reserves |
|---|---|---|---|---|
| | | Legal reserve | Statutory reserves | |
| **Balance at 12/31/2017** | **719** | **1,374** | **13,982** | **16,075** |
| Recognition of reserves | - | 346 | 4,406 | **4,752** |
| Increase in capital based on reserves | - | (100) | (4,900) | **(5,000)** |
| Dividend amount in addition to the minimum mandatory dividend for prior years | - | - | (5,002) | **(5,002)** |
| Dividends and interest on capital not claimed | - | - | 1 | **1** |
| Transactions with subsidiaries and jointly controlled companies | (1) (142) | - | (2) 18 | **(124)** |
| **Balance at 09/30/2018** | **577** | **1,620** | **8,505** | **10,702** |

*Includes mainly:*
*(1) Recognition of stock-based payment plans.*
*(2) Effects of Argentina hyperinflation adjustments and of the Corporate Restructuring of Itaú Unibanco Holding S.A.*

## e) 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 18 – SHARE-BASED PAYMENTS

### Stock option plan of subsidiaries – 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 People, Governance and Appointing Committee, designated 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 People, Governance and Appointing Committee based on the average prices of Duratex´s common shares at the B3 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 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2016 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total stock options granted | 2,787,034 | 2,678,887 | 2,517,937 | 1,333,914 | 1,875,322 | 1,290,994 | 1,561,061 | 1,966,869 | 1,002,550 | 1,046,595 |
| Exercise price at the grant date | 11.82 | 15.34 | 9.86 | 16.33 | 13.02 | 10.21 | 14.45 | 11.44 | 5.74 | 9.02 |
| Fair value at the grant date | 8.88 | 7.26 | 3.98 | 7.04 | 5.11 | 5.69 | 6.54 | 4.48 | 4.00 | 5.19 |
| Exercise deadline | 10 years | 10 years | 8 years | 8 years | 8.5 years | 8.8 years | 8.9 years | 8.1 years | 8.9 years | 8.8 years |
| Vesting period | 1.5 years | 1.5 years | 3 years | 3 years | 3.5 years | 3.8 years | 3.9 years | 3.1 years | 3.9 years | 3.8 years |

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Volatility of share price | 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% |
| Risk-free return rate (1) | 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% | 94.90% |

*(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 and 2017 there was not the Company's stock option grant.

Statement of the value and appropriation of the options granted:

| Granting date | Granted number | Maturity date | Exercise deadline | Granting price | To be exercised 12/31/2017 | To be exercised 09/30/2018 | Option price | Total amount | Periods Due | Periods 2007 to 2015 | Periods 2016 | Periods 2017 | Periods 2018 | Other periods |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 02/08/2006 | 2,659,180 | 06/30/2007 to | 12/31/2016 | 11.16 | - | - | 9.79 | - | 1 | 1 | - | - | - | - |
| 01/31/2007 | 2,787,034 | 06/30/2008 to | 12/31/2017 | 11.82 | - | - | 8.88 | - | 25 | 25 | - | - | - | - |
| 02/13/2008 | 2,678,887 | 06/30/2009 to | 12/31/2018 | 15.34 | 1,132,434 | 1,132,434 | 7.26 | 19 | - | 19 | - | - | - | - |
| 06/30/2009 | 2,517,937 | 06/30/2012 to | 12/31/2017 | 9.86 | - | - | 3.98 | - | 9 | 9 | - | - | - | - |
| 04/14/2010 | 1,333,914 | 12/31/2013 to | 12/31/2018 | 16.33 | 685,019 | 685,019 | 7.04 | 9 | - | 9 | - | - | - | - |
| 06/29/2011 | 1,875,322 | 12/31/2014 to | 12/31/2019 | 13.02 | 1,227,778 | 1,215,323 | 5.11 | 9 | - | 9 | - | - | - | - |
| 04/09/2012 | 1,290,994 | 12/31/2015 to | 12/31/2020 | 10.21 | 658,552 | 652,757 | 5.69 | 6 | - | 7 | - | - | - | - |
| 04/17/2013 | 1,561,061 | 12/31/2016 to | 12/31/2021 | 14.45 | 1,025,843 | 1,017,620 | 6.54 | 8 | - | 7 | 2 | - | - | - |
| 02/11/2014 | 1,966,869 | 12/31/2017 to | 12/31/2022 | 11.44 | 1,872,257 | 1,862,299 | 4.48 | 9 | - | 4 | 2 | 2 | - | - |
| 03/09/2016 | 1,002,550 | 12/31/2019 to | 12/31/2024 | 5.74 | 990,050 | 914,400 | 4.00 | 6 | - | - | 1 | 1 | 1 | 2 |
| 04/26/2018 | 1,046,595 | 12/31/2021 to | 12/31/2026 | 9.02 | - | 1,046,595 | 5.19 | 9 | - | - | - | - | - | 9 |
| **Sum** | **20,720,343** | | | | **7,591,933** | **8,526,447** | | **75** | **35** | **90** | **5** | **3** | **1** | **11** |
| **Exercise effectiveness** | | | | | | | | **96.63%** | **96.63%** | **96.63%** | **96.63%** | **96.63%** | **94.90%** | **94.90%** |
| **Computed value** | | | | | | | | **73** | **34** | **86 (1)** | **5 (2)** | **3 (3)** | **1 (4)** | **10 (5)** |

*(1) Amount charged to income from 2007 to 2015.*
*(2) Amount charged to income in 2016.*
*(3) Amount charged to income in 2017.*
*(4) Amount charged to income in the nine months of 2018.*
*(5) Value charged to income in other periods.*

At September 30, 2018, Duratex S.A. had 2,410,659 treasury shares, which might be used in a possible option exercise.

## NOTE 19 – NET SALES REVENUE OF PRODUCTS AND SERVICES

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Gross revenue from sales of products and services** | **1,839** | **5,080** | **1,619** | **4,531** |
| Domestic market | 1,540 | 4,259 | 1,415 | 3,967 |
| Foreign market | 299 | 821 | 204 | 564 |
| Taxes and contributions on sales | (328) | (967) | (329) | (924) |
| **Net revenue from sales of products and services** | **1,511** | **4,113** | **1,290** | **3,607** |

## NOTE 20 – EXPENSES, BY NATURE

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| Variation in fair value of biological assets | 49 | 121 | 40 | 121 |
| Variations in the inventories of finished products and work in process | 7 | 187 | 41 | 190 |
| Raw materials and consumption materials | (610) | (2,017) | (661) | (1,969) |
| Remuneration, charges and benefits to employees | (233) | (727) | (261) | (740) |
| Depreciation, amortization and depletion | (303) | (635) | (142) | (412) |
| Transport expenses | (105) | (279) | (70) | (230) |
| Advertising expenses | (23) | (67) | (51) | (131) |
| Other expenses | (148) | (385) | (108) | (293) |
| **Total** | **(1,366)** | **(3,802)** | **(1,212)** | **(3,464)** |

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

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| Cost of products and services | (1,085) | (3,031) | (945) | (2,726) |
| Sales expenses | (194) | (534) | (184) | (506) |
| General and administrative expenses | (87) | (237) | (83) | (232) |
| **Total** | **(1,366)** | **(3,802)** | **(1,212)** | **(3,464)** |

## NOTE 21 – OTHER (LOSSES)/GAINS, NET

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| Amortization of intangible assets | (9) | (27) | (7) | (23) |
| Options granted and recognized | (7) | (3) | (8) | (10) |
| Gain (loss) on sales of fixed assets (*) | 435 | 631 | 52 | 70 |
| Rental revenue | 3 | 9 | 2 | 6 |
| IPI Bonus Credit | - | - | - | 32 |
| Dividends and interest on capital - NTS | 37 | 115 | 59 | 115 |
| Prodep-Reintegra credits | 11 | 11 | - | - |
| Gain (loss) on sale of investment at Elekeiroz (Note 9c) | - | (121) | - | - |
| Other | (12) | 11 | (25) | (18) |
| **Total** | **458** | **626** | **73** | **172** |

*(*) Net result from sale of farm owned by Duratex Florestal R$ 621.*

## NOTE 22 – FINANCIAL RESULT

| | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Financial income** | | | | |
| Remuneration on financial investments | 20 | 138 | 67 | 214 |
| Foreign exchange variations | 3 | 43 | 6 | 19 |
| Indexation adjustment | 37 | 50 | 10 | 33 |
| Interest and discount obtained | 5 | 14 | 30 | 47 |
| Other | 1 | 2 | 1 | 3 |
| **Total financial income** | **66** | **247** | **114** | **316** |
| **Financial expenses** | | | | |
| Charges on financing | (86) | (329) | (64) | (245) |
| Foreign exchange variations | (15) | (81) | 4 | (26) |
| Indexation adjustment | (21) | (52) | (20) | (65) |
| Derivatives | 8 | 73 | (45) | (71) |
| Bank charges | (2) | (9) | (3) | (12) |
| Tax on financial operations | - | (2) | - | (1) |
| Other | (13) | (22) | (13) | (28) |
| **Total financial expenses** | **(129)** | **(422)** | **(141)** | **(448)** |
| **Total financial result** | **(63)** | **(175)** | **(27)** | **(132)** |

## NOTE 23 – EARNING PER SHARE

The basic and diluted earnings per share were computed pursuant to the table below for the periods 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 | 07/01 to 09/30/2018 | 01/01 to 09/30/2018 | 07/01 to 09/30/2017 | 01/01 to 09/30/2017 |
|---|---|---|---|---|
| **Net income** | **2,482** | **6,929** | **2,329** | **6,449** |
| Minimum non-cumulative dividend on preferred shares in accordance with bylaws | (55) | (55) | (54) | (54) |
| **Subtotal** | **2,427** | **6,874** | **2,275** | **6,395** |
| Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners | (29) | (29) | (28) | (28) |
| **Subtotal** | **2,398** | **6,845** | **2,247** | **6,367** |
| **Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis** | | | | |
| To common equity owners | 824 | 2,351 | 772 | 2,198 |
| To preferred equity owners | 1,574 | 4,494 | 1,475 | 4,169 |
| **Total net income available to common equity owners** | **853** | **2,380** | **800** | **2,226** |
| **Total net income available to preferred equity owners** | **1,629** | **4,549** | **1,529** | **4,223** |
| **Weighted average number of shares outstanding** | | | | |
| Common shares | 2,889,839,643 | 2,860,348,123 | 2,823,483,724 | 2,825,648,563 |
| Preferred shares | 5,520,858,345 | 5,466,536,474 | 5,397,509,136 | 5,361,073,826 |
| **Earnings per share – basic and diluted - R$** | | | | |
| Common shares | 0.30 | 0.83 | 0.28 | 0.79 |
| Preferred shares | 0.30 | 0.83 | 0.28 | 0.79 |

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

## 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 8,700 participants at September 30, 2018 (8,736 at December 31, 2017).

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 7a) is R$ 114 (R$ 123 at December 31, 2017). The expense of R$ 10 was recognized in the results. (The revenue of R$ 6 was recorded in result at September 30, 2017).

### (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.

At September 30, 2018, Other Financial Assets (Note 7a) recorded in the balance sheet amounted to R$ 5 (R$ 9 at December 31, 2017), payable in nine (9) monthly installments.

### Main assumption used

| | 09/30/2018 | 09/30/2017 |
|---|---|---|
| Discount rate | 9.75% p.a. | 11.14% p.a. |
| Mortality table (1) | AT-2000 | AT-2000 |
| Turnover | Null | Null |
| Future salary growth | 6.62 % p.a. | 7.23 % p.a. |
| Growth of the pension benefit /plans | 4.25 % p.a. | 4.85 % p.a. |
| Inflation | 4.25 % p.a. | 4.85 % 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 Sector and the Non-financial Sector.

One of ITAÚSA's corporate purposes is holding interest in the capital stock of other companies of different segments. Itaúsa's main investments are Duratex, Alpargatas, and Nova Transportadora do Sudeste - NTS, which operate in non-financial sector, and Itaú Unibanco Holding, a financial sector company.

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

- **Financial Sector**

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, 2018, to September 30, 2018, are available at the following website https://www.itau.com.br/relacoes-com-investidores/.

- **Non-financial Sector**

In the non-financial segment we have a broad range of companies; for this reason, we have separated information by company. A brief description of the products and services provided by each company is as follows:

I) Alpargatas: it is engaged in the manufacturing and sale of footwear and respective components, apparel, textile artifacts and respective components, leather, resin and natural or artificial rubber and sports products. ITAÚSA exercises a shared control on Alpargatas' business, and its information is not consolidated, but rather accounted for under the equity method.

II) Duratex manufactures bathroom porcelain and metals, and the respective fittings, ceramic tiles and electronic showers, with the Deca, Ceusa 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.

III) Nova Transportadora do Sudeste - NTS: it is engaged in the transportation of gas, through gas pipelines, to distribution companies and thermal power plants in the states of São Paulo, Rio de Janeiro and Minas Gerais, a region accounting for a large part of Brazil's GDP. ITAÚSA invests in NTS together with other shareholders, and this investment is accounted for as a Financial Asset - fair value through profit or loss, in conformity with CPC 48.

We present below the main indicators of the ITAÚSA portfolio companies, extracted from their financial statements. Net income, stockholders' equity and ROE correspond to results attributable to controlling stockholders.

| | January to September | Financial Sector | Non Financial Sector | |
|---|---|---|---|---|
| | | Itaú | ALPARGATAS | Duratex |
| Total assets | **2018** | **1,524,489** | **3,892** | **9,974** |
| | 2017 | 1,375,551 | 3,640 | 9,033 |
| Operating revenues (1) | **2018** | **125,233** | **2,647** | **3,686** |
| | 2017 | 148,795 | 2,618 | 2,888 |
| Net income | **2018** | **18,254** | **258** | **574** |
| | 2017 | 18,387 | 315 | 100 |
| Stockholders' equity | **2018** | **129,879** | **2,249** | **5,389** |
| | 2017 | 128,460 | 2,177 | 4,677 |
| Annualized return on average equity (%) (2) | **2018** | **19.8%** | **15.8%** | **15.4%** |
| | 2017 | 20.6% | 19.9% | 2.9% |
| Internal fund generation (3) | **2018** | **42,566** | **319** | **970** |
| | 2017 | 49,468 | 358 | 735 |

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

- *Itaú Unibanco Holding: interest and similar income, dividend income, adjustments to fair value of financial assets and liabilities, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.*
- *Alpargatas and Duratex: sales of products.*

*(2) Represents the ratio of net income for the period and the average equity (Dec17 + Mar + jun + sep) / 4.*

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

## 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

| | Consolidated | | | |
|---|---|---|---|---|
| | Assets/(Liabilities) | | Revenue/(Expenses) | |
| | 09/30/2018 | 12/31/2017 | 01/01 to 09/30/2018 | 01/01 to 09/30/2017 |
| **Financial investments** | **19** | **37** | **1** | **2** |
| Itaú Unibanco S.A. | 19 | 37 | 1 | 2 |
| **Customers** | **20** | **35** | **121** | **76** |
| Other Related Parties (*) | 20 | 35 | 121 | 76 |
| **Banking service fees/Rental** | **(9)** | **-** | **(6)** | **(2)** |
| Itaú Corretora S.A. | - | - | (3) | (1) |
| Itaú Unibanco S.A. | (9) | - | (3) | (1) |
| **Total** | **30** | **72** | **116** | **76** |

*(*) Refers basically to the operations for the sale of Duratex S.A.'s goods to Leo Madeiras Maqs. e Fer. S.A. and Fibria Celulose , as well as rural leasing costs with Ligna Florestal Ltda.*

As at September 30, 2018 and 2017, 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:

| | 09/30/2018 | 12/31/2017 |
|---|---|---|
| Duratex S.A. | 82 | 104 |
| Elekeiroz S.A. | - | 102 |
| Itautec S.A. | 46 | 44 |
| **Total** | **128** | **250** |

### c) Compensation of key personnel

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

| | 01/01 to 09/30/2018 | 01/01 to 09/30/2017 |
|---|---|---|
| Compensation | 22 | 38 |
| Profit sharing | 25 | 11 |
| Stock options | 2 | 3 |
| **Total** | **49** | **52** |

## 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 investment fund quotas.

At the reporting date, ITAÚSA had cash and cash equivalents amounting to R$ 904 (R$ 71 at December 31, 2017), 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 | |
|---|---|---|---|---|
| | 09/30/2018 | 09/30/2018 | Amount receivable | Amount payable |
| **Swap contracts** | - | **36** | **50** | **(9)** |
| **Asset position** | **740** | **788** | **50** | **(9)** |
| Foreign currency (US$) | 355 | 408 | 50 | - |
| Fixed rate | 385 | 380 | - | (9) |
| **Liability position** | **(740)** | **(752)** | - | - |
| CDI | (740) | (752) | - | - |
| **Futures contracts (NDF)** | **195** | **194** | - | **(1)** |
| **Agreement of Sale** | **195** | **194** | - | **(1)** |
| NDF | 195 | 194 | - | (1) |

| | Notional amount | Fair value | Accumulated effect | |
|---|---|---|---|---|
| | 12/31/2017 | 12/31/2017 | Amount receivable | Amount payable |
| **Swap contracts** | - | **16** | **17** | - |
| **Asset position** | **634** | **659** | **17** | - |
| Foreign currency (US$) | 614 | 639 | 17 | - |
| Fixed rate | 20 | 20 | - | - |
| **Liability position** | **(634)** | **(643)** | - | - |
| CDI | (634) | (643) | - | - |
| **Futures contracts (NDF)** | **102** | **102** | - | - |
| **Agreement of Sale** | **102** | **102** | - | - |
| NDF | 102 | 102 | - | - |

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, B3 / Bloomberg quotations were used for the respective maturity dates.

| Risk | Instrument/Operation | Description | Probable Scenario | Possible Scenario | Remote Scenario |
|---|---|---|---|---|---|
| Foreign exchange | Swap - US$ / CDI (Res. 4131) | Drop - US$ | 9 | (102) | (212) |
| | Hedged item: debt in foreign currency (US$) | (Increase US$) | (9) | 102 | 212 |
| | NDF (US$) | Drop - US$ | - | 49 | 98 |
| | Hedged item: debt in foreign currency (US$) | (Increase US$) | - | (49) | (98) |
| **Total** | | | - | - | - |

(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 exposed to 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:

| 09/30/2018 | Less than 1 year | From 1 to 2 years | From 3 to 5 years | Over 5 years |
|---|---|---|---|---|
| Loans and financing | 755 | 1,473 | 1,588 | 404 |
| Suppliers and other payables | 805 | 1 | - | 29 |
| **Total** | **1,560** | **1,474** | **1,588** | **433** |

| 12/31/2017 | Less than 1 year | From 1 to 2 years | From 3 to 5 years | Over 5 years |
|---|---|---|---|---|
| Loans and financing | 1,050 | 1,710 | 1,188 | 808 |
| Suppliers and other payables | 365 | - | 245 | 32 |
| **Total** | **1,415** | **1,710** | **1,433** | **840** |

### 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 | 09/30/2018 | 12/31/2017 |
|---|---|---|---|
| **Assets** | | **5,346** | **4,806** |
| Cash and cash equivalents | 1 | 141 | 84 |
| Cash and cash equivalents | 2 | 2,113 | 1,134 |
| Financial assets - Fair value through profit or loss | 3 | 986 | 995 |
| Financial assets - Amortised cost | 2 | - | 444 |
| Trade accounts receivable | 2 | 1,303 | 1,091 |
| Dividends and interest on capital | 2 | 36 | 630 |
| Deposits as guarantees for contingent liabilities | 2 | 96 | 99 |
| Other assets | 2 | 671 | 329 |
| **Liabilities** | | **5,360** | **6,775** |
| Loans, financing and debentures | 2 | 4,220 | 4,756 |
| Suppliers / other expenses | 2 | 835 | 642 |
| Dividends and interest on capital | 2 | 305 | 1,377 |

# *Report on Review*

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

**Introduction**

We have reviewed the accompanying interim financial statements of Itaúsa - Investimentos Itaú S.A. ("Parent Company”), which comprise the individual balance sheet as at September 30, 2018 and the related individual statements of income, comprehensive income and cash flows for the three and nine-month period then ended and the individual statement of changes in stockholders´equity for the nine-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

We have also reviewed the accompanying consolidated interim financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at September 30, 2018 and the related consolidated statements of income, comprehensive income and cash flows for the three and nine-month period then ended and the consolidated statement of changes in stockholders´equity for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the Parent Company interim financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the Consolidated interim financial statements in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim financial statements based on our review.

**Scope of review**

We conducted our review in accordance with the Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion on the Parent Company interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Parent Company interim financial statements referred to above do not present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. at September 30, 2018, and its financial performance and cash flows for the three and nine-month period ended September 30, 2018, in accordance with CPC 21 - Interim Financial Reporting.

**Conclusion on the Consolidated interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated interim financial statements referred to above do not present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. and its subsidiaries, at September 30, 2018 and their financial performance and the cash flows for the three and nine-month period ended September 30, 2018, in accordance with CPC 21 - Interim Financial Reporting and IAS 34 - Interim Financial Reporting issued by the IASB.

### Other matters

We have also reviewed the individual and consolidated interim statements of value added for the three and nine-month period ended September 30, 2018. These statements are the responsibility of the company's management, and are presented as supplementary information. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the interim financial statements taken as a whole.

São Paulo, November 12, 2018.

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.** have proceeded to examine the individual and consolidated interim financial statements for the quarter ending September 30, 2018, which were reviewed by PricewaterhouseCoopers Auditors Independents (“PwC”), as Conglomerate’s independent auditor.

The Fiscal Councilors have verified the exactness of the elements examined and in view of the unqualified review report issued by PwC, understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period. São Paulo (SP), November 12, 2018. (signed) Tereza Cristina Grossi Togni – President; Flávio César Maia Luz, Guilherme Tadeu Pereira Júnior, 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 NOVEMBER 12, 2018

**DATE, TIME AND PLACE:** on November 12, 2018, at 1:00 p.m., at Paulista Avenue, 1938, 5th floor, Room 501, in city and state of São Paulo.

**CHAIR:** Alfredo Egydio Setubal, CEO.

**QUORUM:** the totality of the elected members.

**RESOLUTIONS ADOPTED:** following due examination of the Company's interim individual and consolidated account statements for the third quarter of 2018, which were favorably recommended by the Finance Commission, the Board unanimously resolved and pursuant to the provisions in sub-section V and VI of Article 25 of CVM Instruction 480/09, amended, declare that:

a) it has reviewed, discussed and agrees with the opinions expressed in the review report issued by PricewaterhouseCoopers Auditores Independentes, as independent auditors; and;

b) it has reviewed, discussed and agrees with the Company's interim individual and consolidated account statements for the quarter ended on September 30, 2018.

**CONCLUSION:** there being no further matters on the agenda, these minutes were read, approved and signed by all. São Paulo (SP), November 12, 2018. (signed) Alfredo Egydio Setubal - CEO; Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal e Rodolfo Villela Marino - Managing Vice Presidents.

*ALFREDO EGYDIO SETUBAL*
*Investor Relations Officer*