ITAÚSA

Complete Financial Statements

December 31, 2018

CONTENTS

MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the fourth quarter of 2018 (4Q18) and fiscal year 2018, 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 at CVM and B3 S.A. – Brasil, Bolsa, Balcão (B3).

Adoption of CPC 47 and CPC 48

For better comparability, the information on fiscal year 2017 were adjusted to the effects arising from the adoption of CPC 47 (revenue from contracts with clients) and CPC 48 (financial instruments). For further information, see Note 2.2 to the Financial Statements of Itaúsa.

1. ECONOMIC ENVIRONMENT

According to IMF's estimates disclosed in January 2019, global economy should grow by 3.7% in 2018, in spite of some significant economies, particularly in Europe and Asia, underperforming. Itaú BBA's estimates disclosed on February 6, 2019 support this scenario, pointing out to the US economy growing 2.7% in the period of four quarters up to September 2018, an improvement compared to 2.2% recorded in 2017. The euro zone grew 1.8% in 2018, following the 2.4% posted in 2017. China's growth slumped to 6.6% in 2018. The IMF also forecasts a slowdown in the global GDP in 2019, driven by a projected poorer growth of richer economies and lower expansion in emerging and developing economies, as a result of the economic contraction in Argentina and Turkey.

In the domestic scenario, GDP rose 1.0% in 2017 and is expected to increase by 1.3% in 2018, according to the latest data available in the Focus Market Readout published by the Central Bank of Brazil. These figures are construed as an improvement from the results posted between 2015 and 2016, years overshadowed by economic shrinkage. Regarding the labor market, unemployment rate is 11.6% in the quarter ended in December 2018, from 11.8% in the same period of 2017, as measured by the Continuous Pnad (Continuous National Household Sample Survey). Inflation measured by IPCA reached 3.75% in 2018, from 2.9% in 2017, below the set-up target for 2018. Currently well-controlled inflation and economic activity below expectations have allowed a more flexible monetary policy and should provide for interest rates to remain at low levels. 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%, and should not be higher than 8% up to 2022, according to forecasts disclosed in Focus Market Readout of February 8, 2019.

2. ITAÚSA HIGHLIGHTS

Sustainability

Itaúsa believes that one of the drivers of the long-term value creation is a sustainable management responsible for its business and the business of its investees. Accordingly, through its representatives in the Boards of Directors and/or Committees, Company influences and guides the development of good ESG (Environmental, Social and Governance) practices in its investment portfolios. This commitment can be illustrated by some recognitions granted to the Company and its investees, highlighted as follows:

Business Sustainability Index (ISE) – Itaúsa, for the 12th year, Itaú Unibanco, for the 14th consecutive year, and Duratex, for the 11th consecutive year, were selected once again to make up the Business Sustainability Index portfolio of B3 in 2019.

CDP (subsequent event) – In January 2019, Itaúsa and Itaú Unibanco were recognized by CDP Latin America as Leaders in Transparency, as they have reached the score A- in the annual edition on their climate change related practices. Duratex was also recognized by its efficient water management. This was the first time CDP has addressed topics related to recommendations issued in the Task Force on Climate-related Financial Disclosures (TCFD), a document published by the Financial Stability Board in 2017. CDP was set up in 2000 and gathers together one of the most thorough global environmental data disclosure systems.

Dow Jones Sustainability World Index (DJSI) – In 2018, 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, where both achieved the highest rate in six criteria. In its 2018/2019 edition, this portfolio is made up of 317 companies from 30 countries, of which only seven are Brazilian – among them, Itaúsa and Itaú Unibanco.

Corporate Governance

Itaúsa seeks to increasingly improve its own corporate governance and that of the companies it invests in. Through representatives in governance bodies of the Conglomerate's companies, Itaúsa influences and shares its values, caring for transparency and good international practices.

In 2018, Itaúsa's corporate governance was strengthened with the set-up of a **permanent Fiscal Council** (operating continuously since 1995) and of **new policies, such as the Transactions with Related Parties, Corporate Governance and Relationship with Private Entities and Public Agents and for Corruption Prevention**. The second half of 2018 witnessed the **relaunching of the Code of Conduct,** with the introduction of an independent reporting channel.

Investees also saw significant developments. Like Itaúsa, **Itaú Unibanco** has also adopted a permanent Fiscal Council. Additionally, it organized a Digital Advisory Board, the LatAm Strategic Council and the Social Responsibility Committee, the latter with the responsibility of defining strategies and monitoring the performance of social responsibility-related actions. **Duratex** has promoted an internal restructuring, including by redesigning processes, and **Alpargatas** has increased the number of independent members in its Board of Directors and Committees, and also implemented a structured succession plan of the Company's leadership. Roberto Funari, then a member of the Board of Directors, was announced as the new CEO to replace Márcio Luiz Simões Utsch.

We hereby thank Mr. Utsch for the results achieved over his successful journey of 21 years with Alpargatas, of which 15 years as its CEO.

Portfolio revision

Itaúsa carries out an active, effective capital management by prioritizing, upon capital allocation, discipline when assessing opportunities, the management intended to improve return metrics and monitor portfolio, and the regular follow-up of the investees' performance.

As part of this ongoing process, in 2018 Itaúsa made some changes in its investment portfolio. In June 2018, it completed the sale of equity interest held in Elekeiroz, and, in December 2018, Itautec sold the remaining 10.3% stake held in Oki Brasil. With these initiatives, Itaúsa no longer operates in the chemical and in the commercial, banking automation and technology service sectors (via Itautec). Both investments had been held by Itaúsa since the 1980's.

Return to stockholders

Net proceeds declared in on the 2018 results accounted for 94.0% of net income adjusted by legal reserve[1] for the year, up 24.8% from the previous year, as follows:

Return to stockholders	Stockholding position	Payment date	Net income per share	Total gross (R$ million)	Total net (R$ million)
First-quarter dividends	5/30/18	07/02/18	0.0150	126	126
Additional dividends	8/17/18	08/30/18	0.1992	1,676	1,676
Interest on capital	8/13/18	08/30/18	0.0082	81	69
Second-quarter dividends	8/31/18	10/01/18	0.0150	126	126
Third-quarter dividends	11/30/18	01/02/19	0.0200	168	168
Fourth-quarter dividends	2/28/19	04/01/19	0.0200	168	168
Interest on capital	12/17/18	03/07/19	0.0069	68	58
Interest on capital [3]	2/21/19	03/07/19	0.2644	2,617	2,224
Additional dividends [3]	2/21/19	03/07/19	0.4532	3,812	3,812
Total 2018			**1.0019**	**8,842**	**8,427**
Total 2017[2]			**0.8029**		
Net income - 2018					**8,964**
Payout - 2018					**94.0%**

1. Legal reserve: net income with a 5% adjustment

2. Adjusted by the bonus on May 24, 2018

3. Approved at the Board of Directors' meeting of February 18, 2019

Increase in quarterly dividend

As from the dividends paid on January 2, 2019 in connection with the third quarter of 2018, the Company's stockholders now receive R$0.02 per share as a quarterly dividend, up 33.3% compared to R$0.015 received before. This resolution was taken at the Board of Directors' meeting held on November 12, 2018.

Share buyback

Under the share buyback program in force in 2018, the Company acquired 3.5 million preferred shares of own issue for the average amount of R$32.3 million, held in treasury and fully cancelled in 2018. Itaúsa has currently no own shares held in treasury.

Termination of Usufruct to part of shares held by IUPAR

In November 2008, upon the Itaú and Unibanco merger, Itaúsa and the Moreira Salles Family granted IUPAR (the company incorporated to control Itaú Unibanco) shares of Itaú Unibanco's capital stock, under the establishment of usufruct rights to dividends and interest on capital for a 10-year period, which terminated in November 2018. Itaúsa's indirect interest in the capital of Itaú Unibanco under the usufruct established up to November 2018 represented a 15.3% stake. The estimated financial impact with the payment of additional PIS/Cofins taxes on this interest would be about R$120 million in 2019 (as cash effect).

3. ITAÚSA'S ECONOMIC PERFORMANCE[1]

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).

[1]. Refers to Complete Individual Financial Statements

R$ million

STATEMENT OF INCOME	4Q18	4Q17	change	2018	2017	change
FINANCIAL SECTOR	2,555	1,990	28.4%	9,394	8,868	5.9%
NON FINANCIAL SECTOR	194	166	16.6%	362	304	18.9%
ALPARGATAS	1	48	-97.9%	11	48	-77.1%
DURATEX	55	52	5.0%	99	66	49.1%
ITAUTEC	(4)	(6)	33.3%	(7)	(23)	69.6%
NTS (1) (2)	142	72	97.2%	259	213	21.6%
OTHER COMPANIES (3)	3	11	-72.7%	34	33	3.0%
RECURRING SHARE OF INDIVIDUAL INCOME + DIVIDEND/ INTEREST ON CAPITAL + INTEREST ON DEBENTURES	**2,752**	**2,167**	**27.0%**	**9,790**	**9,205**	**6.4%**
FINANCIAL INCOME / EXPENSES	(19)	(42)	54.8%	(88)	(68)	-29.4%
GENERAL ADMINISTRATIVE EXPENSES	(23)	(11)	-109.1%	(80)	(53)	-50.9%
TAX EXPENSES	(15)	(5)	-200.0%	(308)	(308)	0.0%
OTHER OPERATING REVENUES	1	4	-75.0%	6	11	-45.5%
RESULTS OF ITAÚSA	**(56)**	**(54)**	**-3.7%**	**(470)**	**(418)**	**-12.4%**
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	**2,696**	**2,113**	**27.6%**	**9,320**	**8,787**	**6.1%**
INCOME TAX / SOCIAL CONTRIBUTION	(7)	151	-104.6%	46	74	-37.8%
RECURRING INDIVIDUAL NET INCOME	**2,689**	**2,264**	**18.8%**	**9,366**	**8,861**	**5.7%**
NON-RECURRING RESULTS	**(182)**	**(569)**	**68.0%**	**70**	**(717)**	**109.8%**
ITAÚSA'S RESULTS	(38)	(108)	64.8%	(123)	(108)	-13.9%
FINANCIAL SECTOR	(24)	(429)	94.4%	118	(589)	120.0%
NON FINANCIAL SECTOR	(120)	(32)	-275.0%	75	(20)	475.0%
INDIVIDUAL NET INCOME	**2,507**	**1,695**	**47.9%**	**9,436**	**8,144**	**15.9%**

(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 (Include the effects of exchange variation on foreign currency-indexed debt).

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

General and Administrative (G&A) Expenses

Taking into account the administrative structure dedicated to Itaúsa's activities, G&A expenses totaled R$21 million in the 4th quarter of 2018 and R$87 million in fiscal year 2018, which accounted for 0.84% and 0.92% of net income for the same period, respectively.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

	R$ million			R$ per share		
	2018	2017	change	**12/31/2018**	12/31/2017	change
PROFITABILITY						
Net income	**9,436**	8,144	15.9%	**1.13**	0.99	13.7%
Recurring net income	**9,366**	8,861	5.7%	**1.12**	1.08	3.8%
BALANCE SHEET						
Total assets	**58,420**	56,494	3.4%	**-**	-	-
Stockholders' equity	**55,143**	51,926	6.2%	**6.56**	6.32	3.8%
ROE %						
Return on Equity (annualized)	**18.2%**	16.6%	160 bps			
Recurring Return on Equity (annualized)	**18.1%**	18.1%	-			

MAIN CAPITAL MARKET INDICATORS

	12/31/2018	12/31/2017	change	
Price of preferred share (PN) (1) - in R$	**12.08**	9.84	2.24	22.8%
Market capitalization (2) - in R$ million	**101,601**	80,865	20,737	25.6%
Dividend Yield	**7.4%**	4.4%	300 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 INDICATORS OF ITAÚSA CONGLOMERATE COMPANIES

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

R$ million

	January to December	Financial Sector: Itaú	Non Financial Sector: ALPARGATAS	Non Financial Sector: Duratex
Operating revenues (1)	2018	171,838	3,905	4,949
	2017	190,103	3,722	3,991
Net income (6)	2018	24,907	332	432
	2017	23,193	362	185
Total Assets	2018	1,552,797	3,980	9,622
	2017	1,436,239	3,846	9,465
Stockholders' equity (6)	2018	136,782	2,381	4,634
	2017	131,378	2,186	4,715
Annualized return on average equity (%) (2) (6)	2018	20.4%	14.9%	8.8%
	2017	19.6%	17.0%	4.0%
Internal fund generation (3)	2018	55,841	495	1,208
	2017	60,431	553	1,014
Interest of Itaúsa in companies (4) (5)	2018	37.55%	27.55%	36.67%
	2017	37.64%	27.55%	36.68%

(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 ((dec + sep + jun + mar + dec'17)/5).
(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.
(6) Net Income, Stockholders' Equity and ROE correspond to the amounts attributable to controlling stockholders.

RECONCILIATION OF RECURRING NET INCOME

R$ million

	4Q18	4Q17	change	2018	2017	change
Net income	**2,507**	**1,695**	47.9%	**9,436**	**8,144**	15.9%
Inclusion/(Exclusion) of non-recurring effects D= (A + B + C)	**182**	**569**	-68.0%	**(70)**	**717**	-109.8%
Itaúsa (A)	**38**	**108**	-64.8%	**123**	**108**	13.9%
Results of sale of all total shares issued by Elekeiroz	38	-	n.a.	123	-	n.a.
Provision for Tax Contingencies	-	108	n.a.	-	108	n.a.
Arising from stockholding interest in Financial Sector (B)	**24**	**429**	-94.4%	**(118)**	**589**	-120.0%
Change in Treasury Shares	(36)	271	-113.3%	(181)	403	-144.9%
Provision for Contingencies	-	69	n.a.	(34)	123	-127.6%
Provision for Citibank Integration Costs	-	103	n.a.	-	103	n.a.
Realization of Assets and Impairment	6	3	100.0%	44	57	-22.8%
Liability Adequacy Test	54	(17)	417.6%	54	(17)	417.6%
Sale of IRB Shares	-	-	n.a.	-	(58)	n.a.
Other	-	-	n.a.	(1)	(22)	95.5%
Arising from stockholding interest in Non Financial Sector (C)	**120**	**32**	275.0%	**(75)**	**20**	-475.0%
Alpargatas	**13**	**29**	-55.2%	**(16)**	**29**	-155.2%
Duratex	**107**	**10**	970.0%	**(59)**	**(2)**	-2850.0%
Other Areas	**-**	**(7)**	n.a.	**-**	**(7)**	n.a.
Recurring net income	**2,689**	**2,264**	18.8%	**9,366**	**8,861**	5.7%

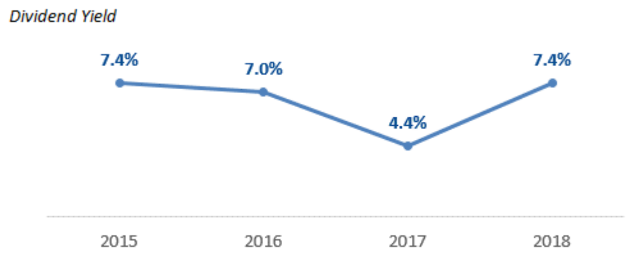
3.1. Capital Markets

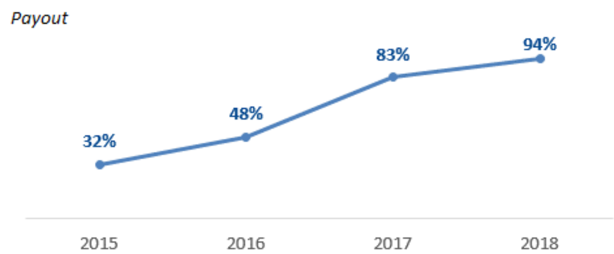
Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed December 2018 at R$12.08, a 33.7% increase in the previous 12 months, whereas Ibovespa, B3's main index, rose by 15.0% in the same period.

The daily average financial volume of preferred shares in 2018 was R$228 million, with an average of 27,000 daily trades.

On December 31, 2018, Itaúsa had 133,000 stockholders, of which 130,000 individual stockholders, up 83% from the figure reported at the end of December 2017.

Itaúsa recorded a 7.4% dividend yield, as a result of the sum-up of dividends and interest on capital paid to Company's stockholders in the last 12 months based on the closing price of the share in the year, whereas payout was 94%.





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 December 31, 2018, Itaúsa's shares were traded at a 25.0% discount, the same level recorded at the end of 2017.

Market capitalization at the end of December, based on the price of the most liquid shares (ITSA4), was R$101,601 million, whereas the total market value of the sum of interests in subsidiaries reached R$135,544 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 http://www.itausa.com.br/en.

4. COMMENTS ON THE PERFORMANCE OF INVESTEES

Itaú Unibanco Holding S.A.

10th anniversary of the merger

2018 witnessed the celebrations of the 10th anniversary of the Itaú and Unibanco merger, which resulted in a company now ranking as the number one private bank in Latin America. Before joining their journeys, both institutions already counted on strong histories, going back to the first half of the 20th century.

The volatile scenario in which Itaú Unibanco finds itself, in particular concerning the Brazilian economy, has helped structure the risk management in the organization, assisting in the adjustment to changes. Itaú Unibanco has expanded its operations beyond the Brazilian borders. During this period, it has adopted a value creation business model. On December 31, 2018, market value was R$342.0 billion, three times higher than the total aggregate value of both institutions in 2008.

Highlights

Acquisition of minority interest in XP Investimentos concluded

In August 2018, was concluded the acquisition of a 49.9% minority interest in XP Investimentos through a R$600 million capital contribution and the acquisition of R$5.7 billion[1] in shares. The contract also provides for a one-off additional transaction in 2022, subject to future approval from the Central Bank, which, if approved, will enable Itaú Unibanco to hold up to 62.4% of the total equity of XP (equal to 40.0% of common shares) based on an income multiple (19 times) of XP, and it is certain that the control of the XP group will remain unchanged, continuing to be held by shareholders of XP Controle Participações S.A.

[1] Amounts on the contract execution date, as subsequently adjusted up to the financial settlement date.

Minority interest in Ticket

Itaú Unibanco acquired a 11% minority interest in Ticket, through a capital increase payable with a cash injection equivalent to the equity value of the interest in the company, and by Ticket granting rights to the exclusive distribution of Ticket Restaurante, Ticket Alimentação, Ticket Cultura and Ticket Transporte products to the Bank's corporate customer base.

Results under IFRS [2]

R$ million	4Q18	4Q17	Δ%	2018	2017	Δ%
Operating revenues	28,718	24,815	15.7	104,200	111,523	- 6.6
Net income	6,653	4,806	38.4	24,907	23,193	7.4
ROE	21.5%	16.1%	540 bps	20.4%	19.6%	80 bps
Loan portfolio				640,542	604,212	6.0

Net income increased, both in the quarter and in the year, mainly driven by (i) growth of commissions and fees, driven by the increase in individuals account holders base and by higher asset management fees, and (ii) lower cost of credit in connection with the reduced credit risk associated to clients of the Wholesale Banking in Brazil.

Loan portfolio, including financial guarantees provided and corporate securities, reached R$640,5 billion at the end of 2018, up 6.0% from the same period of 2017. In 2018, noteworthy were the portfolios for individuals, which increased 9.9%, and for very small, small and middle-market companies, up 14.0%. General and administrative expenses rose in the year driven by the inclusion of Citibank retail operations and higher expenses in Latin America (excluding Brazil), impacted by foreign exchange variation.

[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, an essential component when seeking to optimize the allocation of stockholders' funds and ensuring the bank's soundness, as measured by the Full Tier I capital ratio, remained in 2018 at a level above the minimum threshold, and reached 15.9% at the end of the year. Noteworthy was capital generation, through income and issue of perpetual subordinated notes, which supported the growth of assets and the realization of investments in XP, in addition to providing profit distribution to stockholders at levels above those in 2017. In January 2019, Itaú Unibanco Holding issued R$3.05 billion in Perpetual Subordinated Financial Notes under private placements with professional investors, with an estimated impact of 40 basis points in the Tier I capitalization index to be included in the first quarter of 2019.

Return on Equity (ROE) recorded by Itaú Unibanco increased 80 basis points last year to reach 20.4% in December 2018 under IFRS.

Duratex

Highlights

Adjustment to the use of assets

In 2018, Duratex implemented some initiatives to adjust the use of assets by revaluating both idle and low-return assets. Accordingly, it sold the thin wood fiberboard business and significant forest assets surplus, which helped speed up financial deleveraging. Also as part of this asset revision process, the Company decommissioned the electric shower operation in the unit located in Tubarão/SC, the Deca/Hydra business, by transferring the production to the Aracajú/SE unit.

Investments revisited to focus on greater value creation to stockholders

Duratex has operated with greater discipline by allocating capital towards greater value creation to its stockholders. Accordingly, some initiatives were carried out in 2018, such as the association with Austrian group Lenzing AG, announcing the set-up of a joint venture to produce dissolving wood pulp ('DWP') at a forest area owned by the Company in the *Triângulo Mineiro* region in the Minas Gerais state, with total approximate investment of USD 1 billion. Duratex holds a 49% equity interest in this JV and production is scheduled to start in 2022. Another highlight was the decision to contribute the amount of R$94 million to Ceusa up to the end of 2019, to modernize existing lines and implement a new one to raise the production capacity by 83% to 11 million sq. meters per year.

Results

R$ million	4Q18	4Q17	Δ%	2018	2017	Δ%
Net revenue	1,263.4	1,102.6	14.6%	4,949.4	3,990.9	24.0%
EBITDA	(83.3)	279.9	-	1,546.0	986.8	56.7%
Net income	(142.0)	84.6	-	431.8	185.0	133.4%
ROE	-11.3%	7.2%	n.m	8.8%	4.0%	480 bps

In 2018, net revenue totaled R$4,949.4 million, up 24.0% from the previous year, favored by the 14.6% growth in the last quarter of 2018 year-on-year. This growth in net revenue was impacted by the sale of biological assets to Suzano Papel e Celulose. If excluded these effects, annual growth would be 16.7%. The market share of the foreign market accounted for 19.2%, or R$948.1 million, in net revenue in 2018.

The Wood Division's results improved in the 4th quarter of 2018, with net revenue of R$847.0 million, up 22.4% year-on-year. Net revenue for the year totaled R$3,272.8 million, up 30.1% from the same period of 2017. This has evidenced the capture of initiatives to reduce costs and price adjustments to panels. The volume shipped increased by double digits in 2018, consistently growing over the year and proceeding with the commercial policy prioritizing the profitability of operations while keeping market share.

With net revenue of R$1,483.1 million in 2018, Deca Division's results were up 3.6% from 2017, evidencing the improvement achieved even in a challenging year. The volume shipped remained unchanged, mainly driven by the stable demand for construction materials in the period and the high inventory level of materials in the retail sector.

Operating under the Ceusa brand, the Ceramic Tiles Division's net revenue totaled R$48.0 million in 4Q18, up 8.6% from the same period of the previous year. In the year, this division reported good sales volumes (5.3 million sq. meters of tiles shipped) and net revenue totaled R$193.5 million. The division reported consistent performance of operations over the year and will receive investments in coming years to increase its production capacity.

EBITDA reached R$1,546.0 million in 2018, impacted by a number of non-recurring effects, such as disposal of assets, expenses on restructuring and impairment of assets. Recurring EBITDA, excluding these effects, reached R$848.5 million, up 11.6% from 2017 and was mainly driven by operational improvement, results from the Wood Division, and the consolidation of Ceusa's results, which started to be included in the results from October 2017.

Recurring net income for 2018, which also excludes the aforementioned events, totaled R$271.2 million, up 50.1% from 2017, and is driven by the operational improvement detailed above plus lower net financial expenses.

Net debt was R$1,700.4 million at the end of 2018, corresponding to 2.0 times the recurring EBITDA for the last 12 months.

ALPARGATAS

Highlights

CEO succession, revision of strategic plan and prioritized operations

In 2018, a structured succession plan of the Company's leadership was implemented. Roberto Funari, then a member of the Board of Directors, was announced as the CEO in the 2nd half of 2018, and he started his term of office in January 2019. Mr. Funari has a distinguished career in business management and global brands, corporate strategy and innovation, and has held leading positions in global companies.

The Company's strategic plan was revised over the year, highlighting the brands and operations to be given priority to the coming years, which led to the divestiture of the Topper brand, with the completion of the disposal of 21.8% (possible disposal of the remaining equity interest is subject to exercise of a put or call option) of the sporting goods business in Argentina and the world, and of assets related to the professional boots business (sold under brand Sete Léguas), with this latter being completed in the first days of 2019. Accordingly, Alpargatas no longer operates in the professional boots segment.

Joint venture set up in India

On December 11, 2018, negotiations with Indian company Periwinkle Fashions Private Limited were completed to set up a joint venture in India to develop the Havaianas business in that country, which will provide for greater share and exposure of the Havaianas brand in large footwear consumer markets and in geographical areas with accelerated growth in the sector.

Results

R$ million	4Q18	4Q17	Δ%	2018	2017	Δ%
Net revenue	1,199.8	1,103.6	8.7%	3,904.5	3,721.9	4.9%
EBITDA	123.6	56.7	117.9%	564.7	486.2	16.1%
Net income	92.4	45.1	105.0%	324.0	350.6	-7.6%
ROE	12.8%	9.0%	380 bps	14.9%	17.1%	-220 bps

Net revenue increased by 8.7% and 4.9% in the 4Q18 and in 2018, respectively, mainly driven by a better operational performance of Havaianas Brazil and a better result from Havaianas international operations, which was helped by foreign exchange variation.

Brazil's net revenue, represented by brands Havaianas, Dupé, Mizuno and Osklen, totaled R$2,669.9 million in 2018 (up 10.4% from 2017) and R$944.9 million in 4Q18, up 12.9% from the same period of 2017. This result was mainly driven by the increased volume of sales of sandals and the expansion of the Havaianas brand to other segments. This year, we also highlight the 9.6% increase in the sports footwear volume.

Sandals International recorded net revenue of R$710.3 million for 2018. Sales jumped in the last quarter of the year, up 29.3% from 4Q17, boosted by the 10.3% rise in volume, which was favored by the growth in the EMEA (Europe and Middle East) and APAC (Asia Pacific) regions. Also noteworthy is the positive impact of the foreign exchange variation on the results for the 4th quarter of 2018, as well as over the remaining of the year.

Net revenue in Argentina in 2018 totaled R$524.3 million, down 21.1% from 2017. Despite the fall in the volume of sporting goods, the price adjustment in September 2017 has given rise to more net revenue in 4Q18 in local currency; however, revenue in reais dropped due to exchange variation. Apparel goods performed well in 2018, which led to a 28.4% increase in volume sold in the 4th quarter, and the volume sold in the textile business fell by 33.1% in 2018.

In 2018, the Company's EBTIDA totaled R$564.7 million, up 16.1% from 2017, and the 14.5% margin was 140 basis points higher than the previous year. In Brazil, EBITDA of R$561.2 million rose 50.5% and the 21.0% margin rose 560 basis points. Accordingly, noteworthy was the amount of R$181 million from the successful outcome in a lawsuit to exclude ICMS (state VAT) from the COFINs calculation basis in Brazil in September 2018. Sandals International reported EBITDA in 2018 totaling R$77.6 million, down 22.1% from 2017, mainly driven by investments made towards the international growth over 2018, which should yield better return in the future.

Net income for 2018 totaled R$324.0 million, down 7.6% year-on-year. The operating cash generation for the year totaled R$287.8 million, and cash balance on December 31, 2018 reached R$540.9 million.

Results

R$ million	4Q18	4Q17	Δ%	2018	2017	Δ%
Net revenue	1,032.1	1,020.9	1.1%	4,040.9	4,112.5	-1.7%
Net income	501.7	461.5	8.7%	1,933.5	1,809.3	6.9%

In the fourth quarter of 2018, net revenue totaled R$1,032 million, in line with the figure recorded in the same period of the previous year, given the characteristic of this revenue, arising from five long-term ship-or-pay agreements. In 2018, NTS restructured its debt by raising funds with more attractive financing conditions, which led to the redemption in advance of debentures issued in April 2017. Net income for the year totaled R$501.7 million.

Dividends, interest on capital and capital decrease

From October to December 2018, Itaúsa received gross dividends and interest on capital in the amounts of R$35.2 million and R$151.5 million for the year. Also in 2018 the Company decreased capital in the total amount of R$693.7 million by refunding capital to stockholders. In December 2018, Itaúsa received R$53.1 million in connection with its equity interest in NTS.

5. PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 129,000 employees at the end of 2018, including approximately 17,000 employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 73 people at the end of 2018.

6. 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 fiscal year 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.

7. ACKNOWLEDGMENTS

We thank our stockholders for their trust, which we always try to repay by obtaining results differentiated from those of the market, and our employees, for their dedication and commitment, 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

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

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*

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	12/31/2018	12/31/2017	01/01/2017
Cash and cash equivalents	3	2,421	1,218	2,434
Financial assets - Fair value through profit or loss	4	1,030	995	310
Financial assets - Amortised cost	5	-	444	-
Trade accounts receivable	6	1,215	1,091	934
Other financial assets	7a	758	1,056	1,423
Inventory	8	798	839	907
Investments in associates and joint ventures	9 IIa	52,831	50,934	44,593
Fixed assets, net	10	3,338	3,669	3,742
Intangible assets, net	11	423	659	537
Biological assets	12	1,565	1,699	1,529
Tax assets		1,756	1,603	1,597
Income tax and social contribution - for offsetting		399	354	550
Income tax and social contribution - deferred	13b	1,294	1,158	961
Other		63	91	86
Other non-financial assets	7a	71	68	85
TOTAL ASSETS		**66,206**	**64,275**	**58,091**

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2018	12/31/2017	01/01/2017
Liabilities				
Dividends and interest on capital		772	1,377	2,032
Debentures	14	1,208	1,208	-
Loans and financing	15	2,863	3,548	3,712
Provision	16	1,448	1,416	996
Tax liabilities		517	664	863
Income tax and social contribution - current		26	28	44
Income tax and social contribution - deferred	13b	462	496	496
Other		29	140	323
Other liabilities	7b	1,319	1,143	738
Total Liabilities		**8,127**	**9,356**	**8,341**
Stockholders' Equity				
Capital	17a	43,515	37,145	36,405
Treasury shares	17b	-	-	(204)
Reserves	17d	13,339	16,404	12,471
Carrying value adjustments		(1,711)	(1,623)	(1,872)
Total Stockholders' Equity Attributable to Owners of the Parent Company		**55,143**	**51,926**	**46,800**
Non-controlling interests		2,936	2,993	2,950
Total Stockholders' Equity		**58,079**	**54,919**	**49,750**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**66,206**	**64,275**	**58,091**

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

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

	NOTE	01/01 to 12/31/2018	01/01 to 12/31/2017
Net sales revenue of products and services	19	5,375	4,969
Cost of products and services	20	(4,011)	(3,674)
Gross profit		**1,364**	**1,295**
Sales expenses	20	(721)	(686)
General and administrative expenses	20	(319)	(322)
Other (losses)/gains, net	21	376	49
Tax expenses		(310)	(310)
Share of income in associates and joint ventures	9 IIa	9,537	8,297
Operating result		**9,927**	**8,323**
Financial income	22	441	387
Financial expenses	22	(549)	(601)
Financial result		**(108)**	**(214)**
Income before income tax and social contribution		**9,819**	**8,109**
Current income tax and social contribution	13a	(329)	(65)
Deferred income tax and social contribution	13b	220	219
Net income		**9,710**	**8,263**
Net income attributable to owners of the parent company		9,436	8,144
Net income attributable to non-controlling interests		274	119
Earnings per share - basic and diluted	23		
Common		1.13	0.99
Preferred		1.13	0.99
Weighted average number of shares outstanding – basic and diluted			
Common		2,867,721,003	2,825,107,353
Preferred		5,480,116,942	5,370,182,654

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

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

	01/01 to 12/31/2018	01/01 to 12/31/2017
Net income	**9,710**	**8,263**
Other comprehensive income	**(88)**	**249**
Amounts that will subsequently be reclassified to results	**(27)**	**253**
Interest in associates and jointly controlled entities, net of tax	**(41)**	**246**
Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad	(41)	246
Interest in subsidiaries, net of tax	**14**	**7**
Foreign exchange variations on investments abroad	14	7
Amounts that will not subsequently be reclassified to results	**(61)**	**(4)**
Interest in associates and jointly controlled entities, net of tax	**(61)**	**(4)**
Remeasurement of post-employment benefit obligations	(61)	(4)
Total comprehensive income	**9,622**	**8,512**
Comprehensive income attributable to owners of the parent-company	9,348	8,393
Comprehensive income attributable to non-controlling interests	274	119

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

ITAÚSA- INVESTIMENTOS ITAÚ S.A.
Consolidated Statement of Cash Flows
(In millions of Reais)

	Note	01/01 to 12/31/2018	01/01 to 12/31/2017
Cash flow from operating activities			
Adjusted net income		**1,151**	**1,187**
Net income		9,710	8,263
Adjustments to net income:		(8,559)	(7,076)
Share of income in associates and joint ventures	9 IIa	(9,537)	(8,297)
Deferred income tax and social contribution		(220)	(219)
Contingent liabilities	16b	223	205
Interest, foreign exchange and monetary variations, net		245	487
Depreciation, amortization and depletion		825	592
Change in fair value of biological assets	12c	(148)	(215)
Allowance for loan losses	6	15	13
Gain (loss) on sale of investment		(501)	-
Other		539	358
Changes in assets and liabilities		**(1,141)**	**(134)**
Decrease in financial assets		37	230
Increase in trade accounts receivable		(262)	(194)
(Increase) decrease in inventory		(43)	89
(Increase) decrease in tax assets		(25)	257
(Increase) decrease in other assets		355	(105)
Decrease in tax liabilities		(89)	(210)
Decrease in other liabilities		(1,114)	(201)
Others		**(672)**	**(384)**
Payment of income tax and social contribution		(331)	(46)
Interest paid on loans and financing		(341)	(338)
Net cash (used in) from operating activities		**(662)**	**669**
Cash flow from investment activities			
Purchase of investments		(42)	(3,004)
Sale of investments		98	2
Interest on debentures receivable		16	31
Acquisition of fixed assets, intangibles and biological assets		(464)	(399)
Sale of fixed assets, intangibles and biological assets		561	53
Interest on capital and dividends received		7,738	4,004
Judgment debt of the government receivable		-	9
Redemption of debentures		442	-
Net cash from investment activities		**8,349**	**696**
Cash flow from financing activities			
Subscription of shares		664	68
Purchases of treasury shares	17b	(30)	(449)
Interest on capital and dividends paid		(6,644)	(3,190)
Loans and financing receivable		431	751
Payment of borrowing and financing		(909)	(963)
Issue of Debentures		-	1,200
Net cash used in financing activities		**(6,488)**	**(2,583)**
Net increase (decrease) in cash and cash equivalents		**1,199**	**(1,218)**
Cash and cash equivalents at the beginning of the period	3	1,218	2,434
Effects of changes in exchange rates on cash and cash equivalents		4	2
Cash and cash equivalents at the end of the period	3	2,421	1,218
Non-cash transactions			
Financing transactions		**706**	**672**
Subscription of shares - offsetting of credits of dividends		706	672

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

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

	01/01 to 12/31/2018	%	01/01 to 12/31/2017	%
Income	**7,326**		**6,366**	
Sales of products and services	6,667		6,247	
Allowance for doubtful accounts	(15)		(13)	
Other revenue	674		132	
Inputs purchased from third parties	**(4,652)**		**(4,100)**	
Cost of products and services	(3,495)		(3,391)	
Materials, energy and third-party services	(812)		(709)	
Losses	(345)		-	
Gross value added	**2,674**		**2,266**	
Depreciation, amortization and depletion	(825)		(592)	
Net value added produced by the company	**1,849**		**1,674**	
Value added received from transfer	**10,144**		**8,869**	
Share of income in associates and joint ventures	9,537		8,297	
Financial income	441		387	
Other revenue	166		185	
Total value added to be distributed	**11,993**		**10,543**	
Distribution of value added	**11,993**	**100.00%**	**10,543**	**100.00%**
Personnel	857	7.15%	831	7.88%
Compensation	691		668	
Benefits	123		120	
FGTS – Government severance pay fund	42		42	
Other	1		1	
Taxes, fees and contributions	902	7.52%	870	8.25%
Federal	876		804	
State	16		51	
Municipal	10		15	
Return on third parties' assets	524	4.37%	579	5.49%
Interest	523		575	
Rental revenue	1		4	
Return on own assets	9,710	80.96%	8,263	78.38%
Dividends and interest on capital paid/provided for	8,842		7,296	
Retained earnings for the period	594		848	
Non-controlling interests in retained earnings	274		119	

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Balance Sheet

(In millions of Reais)

ASSETS	NOTE	12/31/2018	12/31/2017	01/01/2017
Cash and cash equivalents		936	71	666
Financial assets - Fair value through profit or loss	4	1,030	995	310
Financial assets - Amortised cost	5	-	444	-
Other financial assets		307	692	1,040
Dividends and interest on capital		270	656	1,006
Escrow deposits as guarantees of contingencies		37	36	34
Investments in subsidiaries, associates and joint ventures	9 Ic	54,810	53,119	46,669
Fixed assets, net		99	88	85
Tax assets		1,215	1,078	1,168
Income tax and social contribution - current		293	254	483
Income tax and social contribution - deferred		920	822	683
Other		2	2	2
Other assets		23	7	6
TOTAL ASSETS		**58,420**	**56,494**	**49,944**

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2018	12/31/2017	01/01/2017
Liabilities				
Dividends and interest on capital		408	1,334	2,028
Debentures	14	1,208	1,208	-
Loans and financing		-	501	-
Provision		1,285	1,244	821
Tax liabilities		67	30	290
Income tax and social contribution - deferred		60	8	4
Other		7	22	286
Other liabilities		309	251	5
Total Liabilities		**3,277**	**4,568**	**3,144**
Stockholders' Equity				
Capital	17a	43,515	37,145	36,405
Treasury shares	17b	-	-	(204)
Reserves	17d	13,339	16,404	12,471
Carrying value adjustments		(1,711)	(1,623)	(1,872)
Total Stockholders' Equity		**55,143**	**51,926**	**46,800**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**58,420**	**56,494**	**49,944**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Individual Statement of Income

(In millions of Reais, except per share information)

	NOTE	01/01 to 12/31/2018	01/01 to 12/31/2017
Other (losses)/gains, net		38	23
General and administrative expenses		(80)	(53)
Tax expenses		(308)	(308)
Share of income in subsidiaries, associates and joint ventures	9 I c	9,724	8,383
Operating result		**9,374**	**8,045**
Financial income		270	145
Financial expenses		(252)	(175)
Financial result		**18**	**(30)**
Income before income tax and social contribution		**9,392**	**8,015**
Current income tax and social contribution		(3)	(5)
Deferred income tax and social contribution		47	134
Net income		**9,436**	**8,144**
Earnings per share - basic and diluted	23		
Common		1.13	0.99
Preferred		1.13	0.99
Weighted average number of shares outstanding – basic and diluted			
Common		2,867,721,003	2,825,107,353
Preferred		5,480,116,942	5,370,182,654

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A

Individual Statement of Comprehensive Income

(In millions of reais)

	01/01 to 12/31/2018	01/01 to 12/31/2017
Net income	**9,436**	**8,144**
Other comprehensive income	**(88)**	**249**
Amounts that will subsequently be reclassified to results	**(27)**	**253**
Interest in jointly controlled entities, net of tax	**(41)**	**246**
Adjustment to fair value of financial assets, hedges and foreign exchange variations on investments abroad	(41)	246
Interest in subsidiaries, net of tax	**14**	**7**
Foreign exchange variation on investments abroad	14	7
Amounts that will not be subsequently reclassified to results	**(61)**	**(4)**
Interests in associates and jointly controlled entities, net of tax	**(61)**	**(4)**
Remeasurement of post-employment benefit obligations	(61)	(4)
Total comprehensive income	**9,348**	**8,393**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Consolidated and Individual 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 12/31/2016	**36,405**	**(204)**	**707**	**7,643**	**3,485**	**1,242**	-	**(1,549)**	**47,729**	**2,950**	**50,679**
Adjustments (Note 2.2 b)	-	-	-	(606)	-	-	-	(323)	**(929)**	-	**(929)**
Balance at 01/01/2017	**36,405**	**(204)**	**707**	**7,037**	**3,485**	**1,242**	-	**(1,872)**	**46,800**	**2,950**	**49,750**
Transactions with owners	740	204	1	(653)	-	3,760	(7,296)	-	**(3,244)**	(76)	**(3,320)**
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	-	-	-	-	-	-	-	-	-	(37)	**(37)**
Dividends and interest on capital	-	-	-	-	-	-	(2,294)	-	**(2,294)**	(39)	**(2,333)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	-	5,002	(5,002)	-	-	-	-
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	-	-	11	(34)	-	-	-	-	**(23)**	-	**(23)**
Paid-in reserves	-	-	-	3,485	(3,485)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	8,144	249	**8,393**	119	**8,512**
Net income	-	-	-	-	-	-	8,144	-	**8,144**	119	**8,263**
Other comprehensive income	-	-	-	-	-	-	-	249	**249**	-	**249**
Appropriations:											
Legal reserve	-	-	-	407	-	-	(407)	-	-	-	-
Unappropriated-reserves	-	-	-	-	441	-	(441)	-	-	-	-
Balance at 12/31/2017	**37,145**	-	**719**	**10,242**	**441**	**5,002**	-	**(1,623)**	**51,926**	**2,993**	**54,919**
Change in the period	**740**	**204**	**12**	**3,205**	**(3,044)**	**3,760**	-	**249**	**5,126**	**43**	**5,169**
Balance at 01/01/2018	**37,145**	-	**719**	**10,242**	**441**	**5,002**	-	**(1,623)**	**51,926**	**2,993**	**54,919**
Transactions with owners	6,370	-	-	(5,031)	-	1,427	(8,842)	-	**(6,076)**	(331)	**(6,407)**
Subscription of shares	1,370	-	-	-	-	-	-	-	**1,370**	-	**1,370**
Treasury shares	-	(32)	-	-	-	-	-	-	**(32)**	-	**(32)**
Cancellation of treasury stock	-	32	-	(32)	-	-	-	-	-	-	-
Increase in capital with reserves	5,000	-	-	(5,000)	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	15	**15**
Dividends and interest on capital not claimed	-	-	-	1	-	-	-	-	**1**	-	**1**
Dividends and interest on capital	-	-	-	-	-	-	(2,413)	-	**(2,413)**	(346)	**(2,759)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	-	6,429	(6,429)	-	-	-	-
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	-	-	(86)	31	-	-	-	-	**(55)**	-	**(55)**
Paid-in reserves	-	-	-	441	(441)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	9,436	(88)	**9,348**	274	**9,622**
Net income	-	-	-	-	-	-	9,436	-	**9,436**	274	**9,710**
Other comprehensive income	-	-	-	-	-	-	-	(88)	**(88)**	-	**(88)**
Appropriations:											
Legal reserve	-	-	-	472	-	-	(472)	-	-	-	-
Unappropriated-reserves	-	-	-	-	122	-	(122)	-	-	-	-
Balance at 12/31/2018	**43,515**	-	**633**	**6,155**	**122**	**6,429**	-	**(1,711)**	**55,143**	**2,936**	**58,079**
Change in the period	**6,370**	-	**(86)**	**(4,087)**	**(319)**	**1,427**	-	**(88)**	**3,217**	**(57)**	**3,160**

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

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

	01/01 to 12/31/2018	01/01 to 12/31/2017
Cash flow from operating activities		
Adjusted net income	**11**	**112**
Net income	9,436	8,144
Adjustments to net income:	(9,425)	(8,032)
Share of income in subsidiaries, associates and joint ventures	(9,724)	(8,383)
Deferred income tax and social contribution	(47)	(134)
Contingent liabilities	188	351
Interest and monetary variations, net	34	131
Net result on sale of investment	121	-
Depreciation and amortization	3	3
Changes in assets and liabilities	**(895)**	**147**
Decrease in financial assets	38	231
(Increase) decrease in tax assets	(27)	244
Decrease in other assets	343	313
Decrease in tax liabilities	(15)	(263)
Decrease in other liabilities	(1,234)	(378)
Other	**(85)**	**(63)**
Interest paid on loans and financing	(85)	(63)
Net cash (used in) from operating activities	**(969)**	**196**
Cash flow from investment activities		
Acquisition of investments	-	(2,954)
Sale of investments	98	2
Purchases of fixed assets and intangible	(14)	(6)
Redemption of debentures	442	-
Interest on debentures receivable	16	31
Interest on capital and dividends received	7,762	4,006
Net cash from investment activities	**8,304**	**1,079**
Cash flow from financing activities		
Advance for future capital increase	664	68
Loan operations	-	498
Settlement - Loan operations	(520)	(200)
Issue of debentures	-	1,200
Loans and financing payable	20	200
Purchases of treasury shares	(32)	(449)
Interest on capital and dividends paid	(6,602)	(3,187)
Net cash used in financing activities	**(6,470)**	**(1,870)**
Net increase (decrease) in cash and cash equivalents	**865**	**(595)**
Cash and cash equivalents at the beginning of the period	71	666
Cash and cash equivalents at the end of the period	936	71
Non-cash transactions		
Financing transactions	**706**	**672**
Subscription of shares - offsetting of credits of dividends	706	672

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

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

	01/01 to 12/31/2018	%	01/01 to 12/31/2017	%
Inputs purchased from third parties	**(190)**		**(51)**	
Third-party services	(56)		(39)	
Other	(134)		(12)	
Gross value added	**(190)**		**(51)**	
Depreciation and amortization	(3)		(3)	
Net added value produced by the company	**(193)**		**(54)**	
Added value received through transfers	**10,154**		**8,715**	
Share of income in subsidiaries, associates and joint ventures	9,724		8,383	
Financial income	270		145	
Other income	160		187	
Total value added to be distributed	**9,961**		**8,661**	
Distribution of value added	**9,961**	**100.00%**	**8,661**	**100.00%**
Personnel - compensation	12	0.12%	7	0.08%
Taxes, fees and contributions	267	2.68%	348	4.02%
Return on third parties' assets - interest	246	2.47%	162	1.87%
Return on own assets	9,436	94.73%	8,144	94.03%
Dividends and interest on capital	8,842		7,296	
Retained earnings for the period	594		848	

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

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Financial Statements
at December 31, 2018 and 2017
(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) – 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 18.61% of the preferred shares, making 33.96% of the total.

These individual and consolidated financial statements were approved by the ITAÚSA Board of Directors on February 18, 2019.

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

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.

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 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. The statement of value added was prepared in accordance with the criteria defined in the Technical Pronouncement CPC 09 – "Statement of Value Added". IFRS does not require the presentation of such statement. 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 December 31, 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, Itaúsa will continue to apply the requirements set forth in CPC 38, as permitted by said CPC 48.

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 12/31/2017:

	12/31/2017		01/01/2017
	Stockholders' Equity	Net income	Stockholders' Equity
Beginning balance according to CPC 38 (IAS 39) – attributable to controlling stockholders	**134,840**	**23,903**	**122,582**
Change in accounting policy – write-offs of assets (a)	2,402	(78)	2,462
Expected loss – loan and lease operations (b)	(8,574)	(1,192)	(7,385)
Expected loss – other financial assets (b)	(1,284)	(756)	(530)
Modification of financial assets (c)	138	101	36
Adjustment to fair value of financial assets (d)	(540)	359	(787)
Effect of adoption of investments in Associates / Jointly-Controlled Companies	(116)	-	-
Deferred taxes on adjustments	4,324	522	3,774
Non-controlling interests	188	334	(57)
Total adjustments	**(3,462)**	**(710)**	**(2,487)**
Balance according to CPC 48 (IFRS 9) – attributable to controlling stockholders	**131,378**	**23,193**	**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.

b) Impacts of ITAUSA's adopting new standards

	12/31/2017		01/01/2017
	Stockholders' equity	Net income	Stockholders' equity
Amounts disclosed	**56,222**	**8,522**	**50,679**
Adjustments to adoption of new pronouncements	(1,303)	(259)	(929)
Amounts restated	**54,919**	**8,263**	**49,750**

ASSETS	Disclosed 12/31/2016	Adjustments	Restated 01/01/2017
Cash and cash equivalents	2,434	-	2,434
Investments in associates and joint ventures	45,522	(929)	44,593
Other assets	11,064	-	11,064
TOTAL ASSETS	**59,020**	**(929)**	**58,091**

LIABILITIES AND STOCKHOLDERS' EQUITY	Disclosed 12/31/2016	Adjustments	Restated 01/01/2017
Liabilities	8,341	-	8,341
Stockholders' Equity	50,679	(929)	49,750
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**59,020**	**(929)**	**58,091**

ASSETS	Disclosed 12/31/2017	Adjustments	Restated 12/31/2017
Cash and cash equivalents	1,218	-	1,218
Investments in associates and joint ventures	52,237	(1,303)	50,934
Other assets	12,123	-	12,123
TOTAL ASSETS	**65,578**	**(1,303)**	**64,275**

LIABILITIES AND STOCKHOLDERS' EQUITY	Disclosed 12/31/2017	Adjustments	Restated 12/31/2017
Liabilities	9,356	-	9,356
Stockholders' Equity	56,222	(1,303)	54,919
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**65,578**	**(1,303)**	**64,275**

c) 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 January 1, 2019.

ITAÚSA and its subsidiaries intend to apply the modified retrospective approach, which does not require the presentation of comparative information. Management believes that the transition to IFRS 16 will give rise to a variation not above 0.8% of Total Assets, with no impact on Stockholders’ Equity, and is mainly related to lease operations with rural land owned by subsidiary Duratex.

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$ 1,294 at December 31, 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 December 31, 2018 was R$ 1,710 (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$ 51, 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$ 8, 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 12/31/2018	Interest in capital at 12/31/2017
Joint ventures				
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	37.55%	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 9 I c 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.

I. Recognition and measurement

Purchases and sales of financial assets are usually recognized as at the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not classified at 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.

II. Offsetting of financial instruments

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet solely when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them or to realize the asset and simultaneously settle the liability.

III. Impairment of financial assets

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 fair value of these accounts receivable is estimated to be basically similar to its book value. 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

Revenue comprises the fair value of the proceeds received or receivable from the sale of products in the normal course of business of ITAÚSA and its subsidiaries. Revenue is recorded net of taxes, returns, discounts and rebates granted, as well as of the eliminations of sales between the group companies. It is recognized when such value may be measured with accuracy, when it is probable that future economic benefits will flow into the entity and when specific criteria, as detailed below, are met for every activity.

I. Sale of Products

These are recorded in income upon delivery of products, as well as at the time risks and benefits are transferred to the purchaser.

II. Financial Income

Financial income is recorded over time based on the effective interest method. When an impairment is identified for a financial instrument, ITAÚSA and its subsidiaries reduce the carrying amount to its recoverable amount, which corresponds to the estimated future cash flows, discounted at the original effective interest rate of such instrument.

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 and Duratex.

Segmental information is presented in Note 25.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	12/31/2018	12/31/2017
Cash and deposits on demand	174	84
Investments in fixed income and investment funds	1,238	71
Bank deposit certificates	1,009	992
Repurchase agreements	-	71
Total	**2,421**	**1,218**

NOTE 4 – FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2018	12/31/2017
Investiment - NTS (*)	1,030	943
Financial treasury bills	-	52
Total	**1,030**	**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 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$442, net of tax effect, was redeemed in advance on May 15, 2018.

The amount of R$ 17 (R$ 42 from 01/01 to 12/31/2017), 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	12/31/2018	12/31/2017
Domestic customers	1,070	1,027
Foreign customers	182	138
Related parties	39	35
Impairment	(76)	(109)
Total	**1,215**	**1,091**

The balances of accounts receivable by maturity are as follows:

Maturities	12/31/2018	12/31/2017
Not yet due	1,092	1,025
Past-due up to 30 days	66	45
From 31 to 60 days	31	16
From 61 to 90 days	13	8
From 91 to 180 days	16	8
More than 180 days	73	98
Total	**1,291**	**1,200**

We present below the changes in the provision for expected loan losses:

	12/31/2018	12/31/2017
Opening balance	(109)	(100)
Constitution of provision	(15)	(13)
Write-offs	19	4
Write-off - Elekeiroz (Note 9 I c)	29	-
Closing Balance	**(76)**	**(109)**

NOTE 7 - OTHER ASSETS AND LIABILITIES

a) Other assets

	12/31/2018			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	90	-	90	630	-	630
Amounts receivable from the sale of fixed assets (1)	284	13	297	59	32	91
Retirement plan assets (Note 24)	5	111	116	4	128	132
Government debt certificates	-	-	-	-	2	2
Acquisition escrow accounts	3	56	59	3	46	49
Forest incentives	-	10	10	-	13	13
Electricity sales	1	-	1	4	-	4
Sale of Elekeiroz shares (Note 9 I c)	-	13	13	-	-	-
Other amounts receivable	11	65	76	25	11	36
Total	**394**	**364**	**758**	**725**	**331**	**1,056**
Other non-financial assets						
Prepaid expenses	8	-	8	-	-	-
Investment property	-	24	24	-	26	26
Held-for-sale assets (2)	-	35	35	-	20	20
Other	-	4	4	22	-	22
Total	**8**	**63**	**71**	**22**	**46**	**68**

(1) Refers mainly to sale of farms owned by Duratex Florestal

b) Other liabilities

	12/31/2018			12/31/2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Suppliers	438	-	438	350	-	350
Personnel provision	281	-	281	146	-	146
Accounts payable (from SCPs) to shareholders (*)	27	94	121	44	94	138
Advances from customers	21	6	27	19	5	24
Acquisitions of companies	34	32	66	37	32	69
Freight and insurance payable	17	-	17	14	-	14
Commission payable	9	-	9	8	-	8
Acquisitions of reforestation areas	6	-	6	5	-	5
Product warranty and technical support	-	4	4	13	4	17
Commercial leasing	-	9	9	-	9	9
Liabilities provided with joint operation partner	-	35	35	-	25	25
Liabilities payable - NTS	-	296	296	-	245	245
Other	10	-	10	51	42	93
Total	**843**	**476**	**1,319**	**687**	**456**	**1,143**

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

NOTE 8 – INVENTORY

	12/31/2018	12/31/2017
Raw materials, supplies and packaging	260	254
Finished products	324	385
Work in progress	124	104
Showrooms	116	124
Advances to suppliers	1	3
Allowance for inventory losses	(27)	(31)
Total	**798**	**839**

At December 31, 2018 and 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	(4,139)	(1,305)	(146)	398	-	-	-
Reserves	27,183	19,160	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 12/31/2017	**11,283**	**3,246**	**210**	**145**	**(23)**	**(5)**	-
Net income	23,193	3,380	362	185	(23)	(5)	-
Treasury shares	(1,975)	-	-	-	-	-	-
Dividends and interest on capital	(10,591)	(301)	(149)	(61)	-	-	-
Other comprehensive income	653	171	(3)	19	-	-	-
Other	3	(4)	-	2	-	-	-
Stockholders' equity at 12/31/2017							
Capital	97,148	13,500	648	1,962	56	262	42
Treasury shares	(2,743)	-	(64)	(28)	-	-	-
Carrying value adjustments	(3,486)	(1,134)	(149)	417	-	-	-
Reserves	38,529	21,165	1,751	2,364	-	43	-
Other	1,930	-	-	-	(23)	-	(40)
Balance at 12/31/2017	**131,378**	**33,531**	**2,186**	**4,715**	**33**	**305**	**2**
Changes from 01/01 to 12/31/2018	**5,404**	**1,312**	**195**	**(80)**	**(7)**	**2**	-
Net income	24,907	2,162	332	432	(7)	2	-
Treasury shares	811	-	-	2	-	-	-
Dividends and interest on capital	(19,842)	(726)	(208)	(546)	-	-	-
Other comprehensive income	(326)	(86)	73	37	-	-	-
Other [(1)]	(146)	(38)	(2)	(5)	-	-	-
Stockholders' equity at 12/31/2018							
Capital	97,148	16,000	648	1,962	56	262	44
Treasury shares	(1,820)	-	(64)	(26)	-	-	-
Carrying value adjustments	(3,812)	(1,220)	(76)	454	-	-	-
Reserves	43,146	20,063	1,873	2,245	-	45	-
Other	2,120	-	-	-	(30)	-	(42)
Balance at 12/31/2018	**136,782**	**34,843**	**2,381**	**4,635**	**26**	**307**	**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 12/31/2017	**4,958,290,359**	**710,454,184**	**241,608,525**	**689,305,842**	**11,072,186**	**2,186,700**	**12,200,000**
Shares of capital	4,979,926,668	710,454,184	241,608,551	691,784,501	11,072,186	2,186,700	12,200,000
Treasury shares	(21,636,309)	-	(26)	(2,478,659)	-	-	-
Outstanding Preferred shares at 12/31/2017	**4,738,655,417**	**350,942,273**	**221,444,849**	-	-	-	-
Shares of capital	4,845,844,988	350,942,273	228,841,226	-	-	-	-
Treasury shares	(107,189,571)	-	(7,396,377)	-	-	-	-
Outstanding shares 12/31/2017	**9,696,945,776**	**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 12/31/2017	**1,944,075,803**	**706,169,365**	**127,591,556**	**252,807,715**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,943,906,480	355,227,092	103,623,035	252,807,715	10,953,371	2,186,700	12,200,000
Preferred shares	169,323	350,942,273	23,968,521	-	-	-	-
Direct interest at 12/31/2017							
Interest in capital	20.05%	66.53%	27.55%	36.68%	98.93%	100.00%	100.00%
Interest in voting capital	39.21%	50.00%	42.89%	36.68%	98.93%	100.00%	100.00%
Common shares in circulation at 12/31/2018	**4,958,290,359**	**710,454,184**	**241,608,525**	**689,467,756**	**11,072,186**	**2,186,700**	**12,200,000**
Shares of capital	4,958,290,359	710,454,184	241,608,551	691,784,501	11,072,186	2,186,700	12,200,000
Treasury shares	-	-	(26)	(2,316,745)	-	-	-
Preferred shares in circulation at 12/31/2018	**4,762,230,563**	**350,942,273**	**221,444,849**	-	-	-	-
Shares of capital	4,845,844,989	350,942,273	228,841,226	-	-	-	-
Treasury shares	(83,614,426)	-	(7,396,377)	-	-	-	-
Outstanding shares at 12/31/2018	**9,720,520,922**	**1,061,396,457**	**463,053,374**	**689,467,756**	**11,072,186**	**2,186,700**	**12,200,000**
Number of shares owned by ITAÚSA at 12/31/2018	**1,944,075,803**	**706,169,365**	**127,591,556**	**252,807,715**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,943,906,480	355,227,092	103,623,035	252,807,715	10,953,371	2,186,700	12,200,000
Preferred shares	169,323	350,942,273	23,968,521	-	-	-	-
Direct interest at 12/31/2018							
Interest in capital	(1) 20.00%	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% and an indirect interest of 17.55% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 26.38% direct interest in Itaú Unibanco Holding S.A., totaling 37.55% 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 12/31/2017	**2,429**	**2,159**	**1,749**	**104**	**38**	**(23)**	**(6)**	**-**	**6,450**
Share of income	6,030	2,249	19	68	46	(23)	(6)	-	8,383
Dividends and interest on capital	(3,727)	(200)	(10)	(22)	(8)	-	-	-	(3,967)
Purchase of shares	-	-	1,740	51	-	-	-	-	1,791
Other comprehensive income	129	113	-	7	-	-	-	-	249
Other	(3)	(3)	-	-	-	-	-	-	(6)
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**
Market value at 12/31/2017 (1)	**103,709**	**-**	**2,223**	**2,308**	**249**	**171**	**-**	**-**	**108,660**
Changes from 01/01 to 12/31/2018	**1,006**	**874**	**(9)**	**(29)**	**(146)**	**(7)**	**2**	**-**	**1,691**
Share of income	8,073	1,439	27	158	32	(7)	2	-	9,724
Dividends and interest on capital	(6,973)	(483)	(56)	(200)	-	-	-	-	(7,712)
Sale of investments	-	-	-	-	(178)	-	-	-	(178)
Other comprehensive income	(65)	(57)	20	14	-	-	-	-	(88)
Other (2)	(29)	(25)	-	(1)	-	-	-	-	(55)
Investment balance at 12/31/2018									
Interest in capital	27,356	23,182	656	1,694	-	25	306	2	53,221
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable net assets	57	-	485	-	-	-	-	-	542
Goodwill	460	-	599	-	-	-	-	-	1,059
Balance at 12/31/2018	**27,861**	**23,182**	**1,740**	**1,694**	**-**	**25**	**306**	**2**	**54,810**
Market Value of the Stake at 12/31/2018 (1)	**129,576**	**-**	**2,172**	**2,991**	**-**	**165**	**-**	**-**	**134,903**

(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.

On December 31, 2018, the balance receivable from price adjustments set forth in the contract totaled R$ 13.

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 for calculating the fair value of assets acquired and liabilities assumed and in conformity with CPC 09 (R2) – “Individual, Separate and Consolidated Financial Statements and Application of the Equity Method” and CPC 15 / IFRS 3 – “Business Combinations”. Even though this transaction was carried out in 2017, the ultimate purchase price allocation was completed by ITAÚSA in the first half of 2018 only, as allowed 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	12/31/2018
Total assets	3,323
Total liabilities	942
Stockholders' Equity	2,381
Net income	332

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		
Share of income from 01/01 to 12/31/2017	6,030	2,249	19	(1)	8,297
Investiment balance at 12/31/2017	26,855	22,308	1,749	22	50,934
Share of income from 01/01 to 12/31/2018	8,073	1,439	27	(2)	9,537
Investiment balance at 12/31/2018	27,861	23,182	1,740	48	52,831

b) Other information

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

Assets and liabilities (*)	12/31/2018	12/31/2017
Assets	**1,552,802**	**1,436,244**
Cash and deposits on demand	37,159	18,749
Financial assets	888,785	832,532
Loan operations and lease operations portfolio	536,091	497,719
Tax assets	42,835	44,254
Other assets	47,932	42,990
Liabilities	**1,403,558**	**1,293,081**
Financial Liabilities	1,151,232	1,056,683
Reserves for insurance and private pensions	201,187	181,232
Civil, labor, tax and social security lawsuits	18,613	19,736
Other liabilities	32,526	35,430

(*) Basically represented by Itaú Unibanco Holding.

Other Financial Information - Itaú Unibanco Holding	01/01 to 12/31/2018	01/01 to 12/31/2017
Interest and similar income	133,177	145,641
Interest and similar expenses	(70,612)	(78,330)
Net income before income tax and social contribution	30,608	30,582
Income tax and social contribution (*)	(4,969)	(7,357)
Net income	25,639	23,225
Net income attributable to the owners of the parent company	24,907	23,193
Other comprehensive income	(326)	653
Total comprehensive income	24,581	23,846

(*) On December 31, 2018, Social Contribution deferred tax assets are recorded at 15% due to the end of temporary effects brought byLawNo. 13,169/15, which increased the social contribution tax rate from 15% to 20% until December 31, 2018. As at 12/31/2018 and 12/31/2017, there are no unrecognized tax credits.

c) Usufruct of part of shares held by IUPAR terminated

In November 2008, upon the Itaú and Unibanco merger, Itaúsa and the Moreira Salles family granted to IUPAR (the company incorporated to control Itaú Unibanco) shares of Itaú Unibanco's capital stock, establishing the usufruct of dividends/ interest on capital for a 10-year period, which elapsed in November 2018. Itaúsa's indirect interest in Itaú Unibanco's capital under usufruct established up to November 2018 accounted for a 15.3% stake. With the termination of such usufruct, PIS/Cofins will be levied on interest on capital received by IUPAR from Itaú Unibanco.

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 12/31/2017	**5**	**23**	**(154)**	-	**2**	**19**	**32**	**(73)**
Acquisitions	9	7	37	2	1	157	9	**222**
Write-offs	(21)	-	(1)	-	-	(2)	(2)	**(26)**
Depreciation	-	(36)	(292)	(3)	(2)	-	9	**(324)**
Transfers	-	10	111	-	3	(138)	12	**(2)**
Impairment	-	(3)	(48)	-	-	-	-	**(51)**
Other	17	45	39	1	-	2	4	**108**
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**
Annual depreciation rates (%)	-	*4%*	*5% to 20%*	*10%*	*10%*	-	*4% to 20%*	
Changes from 01/01 to 12/31/2018	**(104)**	**(16)**	**(151)**	**(2)**	**2**	**(29)**	**(4)**	**(304)**
Acquisitions	9	13	58	2	-	155	12	**249**
Write-offs	(57)	-	-	-	-	-	(1)	**(58)**
Depreciation	-	(34)	(264)	(4)	(2)	-	(19)	**(323)**
Transfers (*)	(56)	8	116	-	4	(173)	6	**(95)**
Impairment	-	(1)	(24)	-	-	-	(2)	**(27)**
Other	10	2	-	-	-	-	-	**12**
Sale of Elekeiroz shares	(10)	(4)	(37)	-	-	(11)	-	**(62)**
Balance at 12/31/2018								
Cost	656	1,145	4,399	61	66	107	234	**6,668**
Accumulated depreciation	-	(473)	(2,606)	(43)	(53)	-	(155)	**(3,330)**
Net book value	**656**	**672**	**1,793**	**18**	**13**	**107**	**79**	**3,338**
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 12/31/2017	**1**	**47**	**100**	**(26)**	**122**
Acquisitions	9	-	-	-	**9**
Amortization expense	(8)	-	-	(27)	**(35)**
Other	-	47	100	1	**148**
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**
Annual amortization rates	*20%*	-	-	*6.67%*	
Changes from 01/01 to 12/31/2018	**15**	**(8)**	**(203)**	**(40)**	**(236)**
Acquisitions	27	-	9	-	**36**
Amortization expense	(8)	-	-	(28)	**(36)**
Impairment (1)	-	-	(212)	(12)	**(224)**
Sale of Elekeiroz shares	(3)	-	-	-	**(3)**
Other	(1)	(8)	-	-	**(9)**
Balance at 12/31/2018					
Cost	122	57	156	400	**735**
Accumulated amortization	(68)	(1)	-	(243)	**(312)**
Net value	**54**	**56**	**156**	**157**	**423**
Annual amortization rates	*20%*	-	-	*6.67%*	

(1) Refers to impairment of panel, bathroom porcelain and showers units of Duratex S.A.

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

	12/31/2018	12/31/2017
Acquisitions		
Satipel	-	188
Thermosystem	20	26
Cerâmica Monte Carlo	20	22
Deca Nordeste	17	17
Duchacorona	-	5
Metalúrgica Jacareí	-	2
Ceusa e Massima	99	99
Net value	**156**	**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 December 31, 2018, these companies had approximately 157.3 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 December 31, 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:

	12/31/2018	12/31/2017
Cost of formation of biological assets	1,030	1,045
Difference between cost and fair value	544	654
Transfer to other assets	(9)	-
Fair value of biological assets	**1,565**	**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:

	12/31/2018	12/31/2017
Opening balance	**1,699**	**1,529**
Variations in fair value		
Volume price	148	215
Depletion	(259)	(123)
Variations in historical value		
Formation	178	176
Depletion	(192)	(98)
Saldo subtotal	**1,574**	**1,699**
Transfer to other assets	(9)	-
Closing balance	**1,565**	**1,699**

	01/01 to 09/30/2018	01/01 to 09/30/2017
Effects of variations in the fair value of biological assets	**(111)**	**92**
Variations in fair value	148	215
Depletion of fair value	(259)	(123)

d) Sensitivity Analysis

Changes in wood prices and the discount rate used in cash flows are among the variables affecting the calculation of the fair value of biological assets.

The average price at December 31, 2018 was R$43.37 /cubic meters (at December 31, 2017 it was R$43.24 /cubic meters). Rises in price cause increases in the fair value of forests. Each 5% in price variation leads to an impact of approximately R$74 on the fair value of forests.

Discount rate was 5.7% p.y. at December 31, 2018. Rises in interest rates cause decreases in the fair value of forests. Each 0.5% p.y. in the rate variation would affect the fair value by approximately R$14.

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	01/01 to 12/31/2018	01/01 to 12/31/2017
Income before income tax and social contribution	**9,819**	**8,109**
Charges (income tax and social contribution) at the current rates	(3,338)	(2,757)
Increase/decrease in income tax and social contribution charges arising from:		
(Additions) / exclusions	**3,229**	**2,911**
Share of comprehensive income of associates and joint ventures	3,243	2,821
Dividends on investments stated at acquisition cost	45	53
Interest on capital	(8)	(25)
Recognition (Reversal) of Deferred Tax Assets	(28)	57
Impairment of intangible assets	(40)	-
Other	17	5
Total income tax and social contribution	**(109)**	**154**

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	12/31/2018
Deferred tax assets				
Tax losses and social contribution loss carried forward (*)	585	(36)	10	559
Allowance for loan losses (*)	10	(1)	1	10
Adjustments to market value - securities and derivative financial instruments	18	-	11	29
Provision for contingent liabilities (*)	476	(3)	96	569
Income Tax on Profits Abroad	11	-	27	38
Other (*)	58	(13)	44	89
Total deferred tax assets	**1,158**	**(53)**	**189**	**1,294**
Deferred tax liabilities				
Revaluation reserve	(45)	4	-	(41)
Present value of financing	(4)	3	-	(1)
Swap results	(4)	-	(8)	(12)
Depreciation	(15)	-	(2)	(17)
Pension plans (*)	(39)	3	(2)	(38)
Sales of property	(19)	13	-	(6)
Biological Assets	(223)	37	-	(186)
Client Portfolio	(71)	7	(2)	(66)
Adjustment to fair value on investments	(4)	-	(47)	(51)
Other liabilities (*)	(72)	31	(3)	(44)
Total deferred tax liabilities	**(496)**	**98**	**(64)**	**(462)**
Deferred tax assets, net	**662**	**45**	**125**	**832**

(*) 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 9 I c).

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

Year	12/31/2018
2019	50
2020	368
2021	556
2022	54
2023	49
2024 onwards	217
Total	**1,294**

III – On December 31, 2018, deferred tax assets not recognized totaled R$ 162.

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

NOTE 15 – LOANS AND FINANCING

Type [(1)]	Charges	Guarantees	12/31/2018 Current	12/31/2018 Non Current	12/31/2017 Current	12/31/2017 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	-	-	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	-	-	42	102
BNDES	TJLP + 1.72% to 4.32% p.a.	Surety - Itaúsa - Investimentos Itaú S.A.	-	-	12	20
BNDES with Swap	103.89% to 117.51% CDI	Surety - 70% Itaúsa and 30% natural person	11	94	-	-
CCB - Safra	108.0% CDI	-	-	-	200	-
CRA	98.0% CDI	Surety - Duratex S.A.	1	694	1	692
EXPORT CREDIT	103.89% to 117.51% CDI	-	246	303	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.	-	4	385	-	-
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	29	11	44
FINAME	TJLP + 4.0% to 4.5% p.a.	Chattel Mortgage and Surety Duratex S.A.	2	4	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.	-	6	-	-
FUNDIEST	30 % IGP-M per month	Guarantee - Cia Ligna de Investimentos	26	25	29	50
NCE – SAFRA	127.0% to 129.25% CDI	-	-	-	27	25
EXPORT CREDIT NOTE	104.9% CDI	Surety - Duratex S.A.	38	71	41	106
PROMISSORY NOTE	104.5% CDI	-	-	540	-	505
Total local currency			**345**	**2,158**	**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
NCE – ABC	127.0% to 129.25% CDI	-	-	-	7	7
RESOLUTION 4131 with Swap	US$ + 2.11% to 3.66% p.a.	Promissory Note	182	-	232	181
RESOLUTION 4131 with Swap	US$ + Libor + 1.5% p.a.	Promissory Note	178	-	2	178
Total foreign currency			**360**	**-**	**262**	**371**
Total Itaúsa Consolidated			**705**	**2,158**	**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	12/31/2018	12/31/2017
2019	-	785
2020	1,288	925
2021	88	86
2022	710	697
2023	13	2
2024	13	3
2025	11	-
2026	11	-
2027	11	-
2028	11	-
Other	2	-
Total	**2,158**	**2,498**

Reconciliation of net debt	12/31/2018	12/31/2017
Short-term loans	705	1,050
Long-term loans	2,158	2,498
Total debt	**2,863**	**3,548**
Cash and cash equivalents (note 3)	(2,421)	(1,218)
Net debt	**442**	**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.

	12/31/2018	12/31/2017
Tax lawsuits (*)	**203**	**210**
IPI bonus credit from 1980 to 1985	121	119
Monetary adjustment of credits from Eletrobrás	10	13
INSS - Social Security Contributions	58	37
Integration program tax on revenue ("PIS") and social security funding tax on revenue ("COFINS")	2	21
Other	12	20
Civil lawsuits (*)	**6**	**18**
Collection/execution of out-of-court instruments	6	15
Other	-	3
Total	**209**	**228**

(*) On December 31, 2018, the amounts related to Elekeiroz, in view of the sale of its ownership interest, were not included (Note 9 I c).

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	63	9	2	74
Increase	224	38	4	266
Reversal	-	(29)	(14)	(43)
Payments/ Conversion into Income	(6)	(27)	(3)	(36)
Write-off related to sale of Elekeiroz shares	(3)	(12)	(7)	(22)
Balance at 12/31/2018	**1,608**	**88**	**14**	**1,710**
Escrow deposits	(242)	(19)	(1)	(262)
Balance at 12/31/2018 after the offset of escrow deposits	**1,366**	**69**	**13**	**1,448**

The main discussions related to tax provision are as follows:

- PIS and COFINS – R$ 1,492: 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 December 31, 2018, these lawsuits totaled R$ 1,179 for tax lawsuits, R$ 58 for labor claims and R$ 60 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$ 626: cases in which the liquidity and certainty of offsetting credits are being discussed;
- Taxation of revaluation reserve – R$ 289: 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$ 79: discussion regarding the levying, recognition and use of ICMS credits;
- PIS and COFINS – disallowance of credits – R$ 60: 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$ 17: 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;

At the meeting held on November 12, 2018, the Board of Directors resolved on the cancellation of 3,500,000 preferred shares of own issue held in treasury, by absorbing R$ 32 recorded in Revenue Reserves.

Subscribed paid-in capital now totals R$ 43,515, represented by 8,410,697,988 book-entry shares, with no par value, of which 2,889,839,643 are common and 5,520,858,345 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:

	12/31/2018			
	Number			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2017	2,821,665,246	2,693,462,873	5,515,128,119	27,411
Residents abroad at 12/31/2017	1,818,478	1,956,683,276	1,958,501,754	9,734
Shares of capital stock at 12/31/2017	**2,823,483,724**	**4,650,146,149**	**7,473,629,873**	**37,145**
Capital increase based on capitalization of revenue reserves	-	-	-	5,000
Cancellation of treasury stock	-	(3,500,000)	(3,500,000)	-
10% bonus shares	-	764,927,089	764,927,089	-
Subscription of shares	66,355,919	109,285,107	175,641,026	1,370
Changes in shares of paid-in capital from 01/01 to 12/31/2018	**66,355,919**	**870,712,196**	**937,068,115**	**6,370**
Residents in Brazil at 12/31/2018	2,887,785,145	3,318,421,750	6,206,206,895	32,109
Residents abroad at 12/31/2018	2,054,498	2,202,436,595	2,204,491,093	11,406
Shares of capital stock at 12/31/2018	**2,889,839,643**	**5,520,858,345**	**8,410,697,988**	**43,515**
Treasury shares at 12/31/2017	-	-	-	-
Shares purchased (1)	-	(3,500,000)	(3,500,000)	-
Cancellation of treasury stock	-	3,500,000	3,500,000	-
Treasury shares at 12/31/2018	-	-	-	
Shares outstanding at 12/31/2018	**2,889,839,643**	**5,520,858,345**	**8,410,697,988**	-
Shares outstanding at 12/31/2017 (2)	**2,823,483,724**	**5,397,509,136**	**8,220,992,860**	-

	12/31/2017			
	Number			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2016	2,854,100,005	3,294,812,608	6,148,912,613	27,389
Residents abroad at 12/31/2016	831,049	2,023,374,725	2,024,205,774	9,016
Shares of capital stock at 12/31/2016	**2,854,931,054**	**5,318,187,332**	**8,173,118,386**	**36,405**
Cancellation of treasury stock	(77,789,229)	(7,778,923)	(85,568,152)	-
Subscription of shares	46,341,899	87,100,727	133,442,626	740
Changes in shares of paid-in capital from 01/01 to 12/31/2017	**(31,447,330)**	**79,321,804**	**47,874,474**	**740**
Residents in Brazil at 12/31/2017	2,821,665,246	3,244,975,685	6,066,640,931	27,411
Residents abroad at 12/31/2017	1,818,478	2,152,533,451	2,154,351,929	9,734
Shares of capital stock at 12/31/2017	**2,823,483,724**	**5,397,509,136**	**8,220,992,860**	**37,145**
Treasury shares at 12/31/2016 (1)	**(26,819,000)**	**(2,681,900)**	**(29,500,900)**	-
Shares purchased	(50,970,229)	(5,097,023)	(56,067,252)	-
Cancellation of treasury stock	77,789,229	7,778,923	85,568,152	-
Treasury shares at 12/31/2017	-	-	-	
Shares outstanding at 12/31/2017 (2)	**2,823,483,724**	**5,397,509,136**	**8,220,992,860**	-
Shares outstanding at 12/31/2016 (2)	**2,828,112,054**	**5,315,505,432**	**8,143,617,486**	-

(1) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market.

(2) For better comparability, outstanding shares in the period of 12/31/2017 and 12/31/2016 were adjusted by the split approved on 05/24/2018.

b) Treasury Shares

In the period from January 1 to December 31, 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)**	**(2,681,900)**	**(29,500,900)**	**(204)**
Shares purchased	(50,970,229)	(5,097,023)	(56,067,252)	(449)
Cancellation of treasury stock	77,789,229	7,778,923	85,568,152	653
Treasury Shares at 12/31/2017	-	-	-	-
Shares purchased	-	(3,500,000)	(3,500,000)	(32)
Cancellation of treasury stock	-	3,500,000	3,500,000	32
Treasury Shares at 12/31/2018	-	-	-	-

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	9,436	
(-) Legal reserve	(472)	
Dividend calculation basis	8,964	
Mandatory minimum dividend	**2,241**	**25.00%**
Dividends and Interest on Capital Paid/ Provided for	**8,427**	**94.01%**

II. Stockholders' compensation

	Date of Payment	Value per share		Gross	WTS	Net
		Gross	Net			
Paid		**0.2388**	**0.2374**	**2,009**	**(12)**	**1,997**
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
Quarterly installment	10/01/2018	0.0150	0.0150	126	-	126
Provided for		**0.0481**	**0.0469**	**404**	**(10)**	**394**
Quarterly installment	01/02/2019	0.0200	0.0200	168	-	168
Interest on capital	03/07/2019	0.0081	0.0069	68	(10)	58
Quarterly installment	04/01/2019	0.0200	0.0200	168	-	168
Provided for		**0.7643**	**0.7176**	**6,429**	**(393)**	**6,036**
Quarterly installment	03/07/2019	0.3111	0.2644	2,617	(393)	2,224
Dividends	03/07/2019	0.4532	0.4532	3,812	-	3,812
Total at 12/31/2018		**1.0512**	**1.0019**	**8,842**	**(415)**	**8,427**
Total at 12/31/2017 (1)		**0.8876**	**0.8029**	**7,296**	**(695)**	**6,601**

(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.

	12/31/2018	12/31/2017
Revenue reserves	**12,706**	**15,685**
Legal	1,746	1,374
Statutory	10,960	14,311
Dividend equalization	1,961	4,847
Working capital increases	1,194	1,594
Increases in the capital of investees	1,376	2,868
Proposal for distribution of additional dividends (*)	6,429	5,002
Capital reserves	**633**	**719**
Total reserves at parent company	**13,339**	**16,404**

(*) 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**	**14,311**	**16,404**
Recognition of reserves	-	472	122	**594**
Cancellation of treasury stock	-	-	(32)	**(32)**
Increase in capital based on reserves	-	(100)	(4,900)	**(5,000)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	6,429	**6,429**
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) (86)	-	(2) 31	**(55)**
Balance at 12/31/2018	**633**	**1,746**	**10,960**	**13,339**

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 12/31/2018	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	-	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	-	7.04	-	9	9	-	-	-	-
06/29/2011	1,875,322	12/31/2014 to	12/31/2019	13.02	1,227,778	1,080,061	5.11	9	-	9	-	-	-	-
04/09/2012	1,290,994	12/31/2015 to	12/31/2020	10.21	658,552	581,774	5.69	6	-	6	-	-	-	-
04/17/2013	1,561,061	12/31/2016 to	12/31/2021	14.45	1,025,843	897,255	6.54	9	-	7	2	-	-	-
02/11/2014	1,966,869	12/31/2017 to	12/31/2022	11.44	1,872,257	1,648,223	4.48	8	-	5	2	2	-	-
03/09/2016	1,002,550	12/31/2019 to	12/31/2024	5.74	990,050	784,800	4.00	6	-	-	1	1	1	1
04/26/2018	1,046,595	12/31/2021 to	12/31/2026	9.02	-	1,032,356	5.19	5	-	-	-	-	1	5
Sum	**20,720,343**				**7,591,933**	**6,024,469**		**43**	**63**	**90**	**5**	**3**	**2**	**6**
Exercise effectiveness								**94.90%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**	**94.90%**	**94.90%**
Computed value								**41**	**61**	**87** [(1)]	**5** [(2)]	**3** [(3)]	**2** [(4)]	**5** [(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 2018.
(5) Value charged to income in other periods.

At December 31, 2018, Duratex S.A. had 2,316,745 treasury shares, which might be used in a possible option exercise.

NOTE 19 – NET SALES REVENUE OF PRODUCTS AND SERVICES

	01/01 to 12/31/2018	01/01 to 12/31/2017
Gross revenue from sales of products and services	**6,667**	**6,247**
Domestic market	5,566	5,457
Foreign market	1,101	790
Taxes and contributions on sales	(1,292)	(1,278)
Net revenue from sales of products and services	**5,375**	**4,969**

NOTE 20 – EXPENSES, BY NATURE

	01/01 to 12/31/2018	01/01 to 12/31/2017
Variation in fair value of biological assets	148	215
Variations in the inventories of finished products and work in process	217	171
Raw materials and consumption materials	(2,658)	(2,628)
Remuneration, charges and benefits to employees	(1,004)	(999)
Depreciation, amortization and depletion	(783)	(549)
Transport expenses	(385)	(314)
Advertising expenses	(84)	(177)
Other expenses	(502)	(401)
Total	**(5,051)**	**(4,682)**

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

	01/01 to 12/31/2018	01/01 to 12/31/2017
Cost of products and services	(4,011)	(3,674)
Sales expenses	(721)	(686)
General and administrative expenses	(319)	(322)
Total	**(5,051)**	**(4,682)**

NOTE 21 – OTHER (LOSSES)/GAINS, NET

	01/01 to 12/31/2018	01/01 to 12/31/2017
Provision for contingencies - reversal	-	(245)
Amortization of intangible assets	(35)	(34)
Options granted and recognized	(14)	(5)
Gain (loss) on sales of fixed assets (1)	621	58
PIS and COFINS credits on acquisitions of raw materials	-	15
Rental revenue	9	9
Impairment of fixed and intangible assets (2)	(224)	(51)
IPI Bonus Credit	-	38
Dividends and interest on capital - NTS	151	175
Adherence to the Special Tax Regularization Program (Brazilian acronym "PERT")	-	37
Prodep-Reintegra credits	14	13
Tax credit - sucess in legal process	-	15
Gain (loss) on sale of investment at Elekeiroz (Note 9 I c)	(121)	-
Other	(25)	24
Total	**376**	**49**

(1) Result from sale of farm owned by Duratex Florestal

(2) Refers to impairment of panel, bathroom porcelain and showers units of Duratex S.A.

NOTE 22 – FINANCIAL RESULT

	01/01 to 12/31/2018	01/01 to 12/31/2017
Financial income		
Remuneration on financial investments	267	257
Foreign exchange variations	84	31
Indexation adjustment	69	39
Interest and discount obtained	18	56
Other	3	4
Total financial income	**441**	**387**
Financial expenses		
Charges on financing	(384)	(359)
Foreign exchange variations	(123)	(47)
Indexation adjustment	(65)	(83)
Derivatives	68	(52)
Bank charges	(7)	(16)
Tax on financial operations	(2)	(7)
Other	(36)	(37)
Total financial expenses	**(549)**	**(601)**
Total financial result	**(108)**	**(214)**

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	01/01 to 12/31/2018	01/01 to 12/31/2017
Net income	**9,436**	**8,144**
Minimum non-cumulative dividend on preferred shares in accordance with bylaws	(55)	(54)
Subtotal	**9,381**	**8,090**
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)	(28)
Subtotal	**9,352**	**8,062**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis		
To common equity owners	3,213	2,779
To preferred equity owners	6,139	5,283
Total net income available to common equity owners	**3,242**	**2,807**
Total net income available to preferred equity owners	**6,194**	**5,337**
Weighted average number of shares outstanding		
Common shares	2,867,721,003	2,825,107,353
Preferred shares	5,480,116,942	5,370,182,654
Earnings per share – basic and diluted - R$		
Common shares	1.13	0.99
Preferred shares	1.13	0.99

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 8,546 participants at December 31, 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$ 111 (R$ 123 at December 31, 2017). The expense of R$ 12 was recognized in the results. (The revenue of R$ 6 was recorded in result at December 31, 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 December 31, 2018, Other Financial Assets (Note 7a) recorded in the balance sheet amounted to R$ 5 (R$ 9 at December 31, 2017), payable in six (6) monthly installments.

Main assumption used

	12/31/2018	12/31/2017
Discount rate	9.13% p.a.	9.75% p.a.
Mortality table (1)	AT-2000	AT-2000
Turnover	Null	Null
Future salary growth	6.36 % p.a.	6.62 % p.a.
Growth of the pension benefit /plans	4.00 % p.a.	4.25 % p.a.
Inflation	4.00 % p.a.	4.25 % 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 and Alpargatas, 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 December 31, 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.

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 December	Financial Sector	Non Financial Sector	
		Itaú	ALPARGATAS	Duratex
Total assets	2018	**1,552,797**	**3,980**	**9,622**
	2017	1,436,239	3,846	9,465
Operating revenues (1)	2018	**171,838**	**3,905**	**4,949**
	2017	190,103	3,722	3,991
Net income	2018	**24,907**	**332**	**432**
	2017	23,193	362	185
Stockholders' equity	2018	**136,782**	**2,381**	**4,634**
	2017	131,378	2,186	4,715
Annualized return on average equity (%) (2)	2018	**20.4%**	**14.9%**	**8.8%**
	2017	19.6%	17.0%	4.0%
Internal fund generation (3)	2018	**55,841**	**495**	**1,208**
	2017	60,431	553	1,014

(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 + dec) / 5.

(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)	
	12/31/2018	12/31/2017	01/01 to 12/31/2018	01/01 to 12/31/2017
Financial investments	**20**	**37**	**1**	**2**
Itaú Unibanco S.A.	20	37	1	2
Customers	**39**	**35**	**165**	**100**
Other Related Parties (*)	39	35	165	100
Banking service fees/Rental	**(8)**	**-**	**(5)**	**(7)**
Itaú Corretora S.A.	-	-	(4)	(2)
Itaú Unibanco S.A.	(8)	-	(1)	(1)
Itaú Seguros	-	-	-	(1)
Itaú BBA	-	-	-	(3)
Total	**51**	**72**	**161**	**95**

(*) 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 December 31, 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:

	12/31/2018	12/31/2017
Duratex S.A.	73	104
Elekeiroz S.A.	-	102
Itautec S.A.	34	48
Total	**107**	**254**

c) Compensation of key personnel

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

	01/01 to 12/31/2018	01/01 to 12/31/2017
Compensation	38	37
Profit sharing	21	25
Stock options	2	4
Total	**61**	**66**

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$ 936 (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	
	12/31/2018	12/31/2018	Amount receivable	Amount payable
Swap contracts	-	**37**	**37**	-
Asset position	**784**	**832**	**37**	-
Foreign currency (US$)	355	393	32	-
Fixed rate	385	395	5	-
IPCA +	44	44	-	-
Liability position	**(784)**	**(795)**	-	-
CDI	(784)	(795)	-	-
Futures contracts (NDF)	**137**	**136**	**2**	-
Agreement of Sale	**137**	**136**	**2**	-
NDF	137	136	2	-

	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
Interest rate	Swap – Fixed/ CDI	Increase - CDI	4	(3)	(11)
	Hedged item: loans at fixed rates		(4)	3	11
	Swap - IPCA+ / CDI	Increase - CDI	(5)	(69)	(153)
	Hegde item: loans at IPCA+ rates		5	69	153
Foreign exchange	Swap - US$ / CDI (Res. 4131)	Drop - US$	10	(95)	(199)
	Hedged item: debt in foreign currency (US$)	(Increase US$)	(10)	95	199
	NDF (US$)	Drop - US$	-	34	67
	Hedged item: debt in foreign currency (US$)	(Increase US$)	-	(34)	(67)
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:

12/31/2018	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Loans and financing	711	1,375	1,960	25
Suppliers and other payables	449	2	-	23
Total	**1,160**	**1,377**	**1,960**	**48**

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	12/31/2018	12/31/2017
Assets		**5,424**	**4,806**
Cash and cash equivalents	1	174	84
Cash and cash equivalents	2	2,247	1,134
Financial assets - Fair value through profit or loss	3	1,030	995
Financial assets - Amortised cost	2	-	444
Trade accounts receivable	2	1,215	1,091
Dividends and interest on capital	2	90	630
Deposits as guarantees for contingent liabilities	2	96	99
Other assets	2	572	329
Liabilities		**5,317**	**6,775**
Loans, financing and debentures	2	4,071	4,756
Suppliers / other expenses	2	474	642
Dividends and interest on capital	2	772	1,377

Independent Auditor's Report

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

Opinion

We have audited the accompanying parent company financial statements of Itaúsa - Investimentos Itaú S.A. ("Company"), which comprise the individual balance sheet as at December 31, 2018 and the individual statements of income, comprehensive income, changes in stockholders´ equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We also have audited the accompanying consolidated financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, comprehensive income, changes in stockholders´ equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Consolidated financial statements

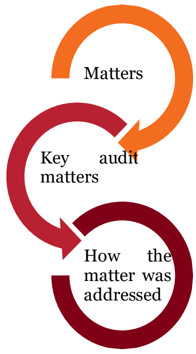
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and its subsidiaries as at December 31, 2018, and their consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

Basis for opinion

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

Key audit matters

Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current fiscal year.
Considering the holding activity carried out by the Company, its KAM are themes arising from investments in subsidiaries and jointly controlled entities, as set out below.
These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit in 2018 was planned and executed considering that the operations of the Group did not present significant modifications in relation to the previous year. In this context, the key audit matters, as well as our audit approach, have remained substantially in line with those of the previous year, except for the exclusion of the matter related to the joint acquisition of control of Alpargatas.

Key audit matters	How the matter was addressed in the audit
Jointly-controlled subsidiary – Itaú Unibanco Holding S.A. ("IUH") – (Note 9)	
The jointly-controlled investment in IUH represents 77% of the consolidated total assets of the Company.	We also audited the financial statements of IUH, and this audit included, among other audit procedures, the following:
IUH is a financial institution engaged in a number of banking, insurance, pension plan, and capitalization activities. IHU carries out an expressive amount of activities related to these areas and due to the history of acquisitions and size of operations, its technology environment is composed of several different processes and segregated controls. As a result, IUH is highly dependent on its information technology environment to process these operations.	- Regarding the information technology environment: With the support of our specialists, we updated our assessment around the information technology environment, including the automated controls of the application systems that are significant for the preparation of the financial statements.
IUH's financial statements disclose critical accounting estimates related to operations that require a high level of judgment when measuring and recording the accounting balances. We understand that these critical accounting estimates are:	The procedures we performed were comprised of a combination of relevant control tests and, when necessary, tests of compensating controls and performance of tests on certain aspects related to the information security, including access management and segregation of duties.
• provision for expected loss; • fair value of financial instruments, including derivatives;	The combination of the tests of controls with other additional tests produced sufficient audit evidence to allow us to conclude that the IUH's systems are operating appropriately.
• deferred tax assets;	- In relation to the critical accounting estimates:
• realization of goodwill and intangible assets; • provision for contingent liabilities.	Understanding and tests of the main controls used to measure, record, write-off and disclosure the operations, including management controls for the implementation of IFRS 9 - Financial Instruments.
As a result of the foregoing, we continue to consider these accounting estimates as well as the information technology environment itself as areas of audit focus.	With the support of our specialists, we analyzed, when applicable, the reasonableness of selected assumptions and judgements applied by IUH's management. We also tested the completeness of the databases and the models involved in the calculation of the balances. We performed tests of details to assess existence, correct amount, integrity, and timely recording of the operations; also, we performed external confirmation procedures with lawyers of IUH to

Key audit matters	How the matter was addressed in the audit
	confirm the probability of loss on the judicial proceedings. We consider that the criteria and assumptions adopted by management to determine these critical estimates lead to amounts that remain within the acceptable intervals in relation to the accounting practices.
Investment in the subsidiary Duratex S.A. (Note 9) The investment in the subsidiary Duratex S.A. represents 3% of the total assets disclosed in the Company's individual financial statements. This subsidiary is the largest individual company included in the consolidation process. Duratex's financial statements disclose critical accounting estimates related to operations that require a high level of judgment when measuring and recording the account balances. We understand that these critical accounting estimates are: • recoverability of intangible assets - Goodwill; • measurement of the fair value of biological assets; and • realization of deferred tax assets. Due to the uncertainties inherent to this type of estimate, we consider this an area of focus in the audit of the financial statements of Itaúsa – Investimentos Itaú S.A.	The audit procedures related to critical accounting estimates included the communication with the auditors of Duratex S.A. with the purpose of discussing the identified audit risks, the audit strategy, the scope, time and extent of the work. We reviewed their working papers and discussed the results of their work. Regarding the critical accounting estimates, we took into account: • The work performed and the conclusions of the specialists of the auditors of Duratex S.A. regarding the assessment of the assumptions and the methodology used by Duratex's management; and • The disclosures in the consolidated financial statements of Itaúsa – Investimentos Itaú S.A. As result of these audit procedures, we concluded that the assumptions and methodologies used on the accounting estimates are reasonable and mitigate risks of material misstatements over financial statements.

Other matters

Supplementary information - Statements of Value Added

The individual and consolidated statements of value added for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09, "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

São Paulo, February 18, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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

OPINION OF THE FISCAL COUNCIL

The members of Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.** (Itaúsa) have proceeded to examine the management report and the financial statements for the December 31, 2018, which were reviewed by PricewaterhouseCoopers Auditors Independents (PwC), which issued unqualified report.

The Fiscal Councilors have verified the exactness of the elements examined and understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period and meet required conditions to be submitted to the appreciation of the Stockholders. São Paulo (SP), February 18, 2019. (signed) Tereza Cristina Grossi Togni – President; Flavio Cesar 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 FEBRUARY 18, 2019

DATE, TIME AND PLACE: on February 18, 2019, at 9:00 am, at Paulista Avenue, 1938, 5th floor, Room 501, in the 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 account statements for the fiscal year ending December 31, 2018, which were favorably recommended by the Finance Commission, the Board unanimously resolved to declare, in attendance with the statutory requirements and in observance with the rules of the Brazilian Securities and Exchange Commission (Sections V and VI of Article 25 of CVM Instruction 480/09), that:

a) (i) it has reviewed, discussed and agrees with the opinion expressed in the report issued by PricewaterhouseCoopers Auditores Independentes as independent auditors, referring to the financial statements as of December 31, 2018; and

b) (ii) it has reviewed, discussed and agrees with the financial statements for the fiscal year ending December 31, 2018.

CONCLUSION: there being no further matters on the agenda, these minutes were drafted, read, approved and signed by all. São Paulo (SP), February 18, 2019. (signed) Alfredo Egydio Setubal - CEO; Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal and Rodolfo Villela Marino - Executive Vice-Presidents.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer