ITAÚSA

Complete Financial Statements

December 31, 2017

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MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa - Investimentos Itaú S.A. (Itaúsa) and its subsidiaries for the period from January to December 2017, prepared in accordance with the standards established by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

Independent Auditor's Report

The Financial Statements were audited by BDO RCS Auditores Independentes S/S (BDO) as independent auditors in attendance to the statutory requirements, including the Brazilian Securities and Exchange Commission policy, and have received an unqualified opinion from the external auditor. The financial statements were approved by the Fiscal Council. In compliance with good Corporate Governance practices adopted by the Conglomerate, these Financial Statements were also reviewed by PricewaterhouseCoopers Auditores Independentes (PwC) as independent auditors of Itaú Unibanco Holding S.A, the main investment held by Itaúsa.

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

1) ECONOMIC ENVIRONMENT

In the domestic scenario, Brazil's GDP grew 0.6% in the first three quarters of 2017 compared to the same period of the previous year. This represents an improvement from the scenario in 2015 and 2016, a period overshadowed by economic downturn.

Regarding the labor market, unemployment rate is 11.8% in the quarter ended December 2017, from 12.0% in the same period of the previous year, as measured by the Continuous Pnad (Continuous National Household Sample Survey). Although unemployment levels show decrease, this is mostly the result of an increased number of self-employed people and of people working in the informal sector.

Industry has shown signs of stability these last months. After a monthly decrease, without seasonal adjustments, of 0.3% in industrial production in August, increases of 0.5%, 0.6%, 0.3% and 2.8% were recorded in the subsequent months until December.

In December 2017, the annual change in the financial system credit balance was negative 3.5% in actual terms, against a 9.2% decrease in December 2016. Loans in 2017 were stable in actual terms compared to a 16.1% decrease one year before. Default rate for loans to individuals decreased 40 bps in the last 12 months to reach 3.6% in December 2017. Default rate for loans to companies reached 2.9% (3.5% in December 2016).

Inflation measured by IPCA was 2.9% in 2017, well below the 6.3% recorded one year before. Analysis of broken-down figures shows that regulated prices raised 8.0% in the period, whereas free prices raised 1.3%.

Current inflation in a clearer downward trend and economic activity below expectations have allowed a more flexible monetary policy. The Central Bank of Brazil started a cycle of cuts in interest rates in October 2016 and since then the Selic rate was reduced to current (December 2017) 7.0% per year from 14.25%.

2) ITAÚSA HIGHLIGHTS

ITAÚSA

Renewal of Itaúsa Shareholders' Agreement

ITAÚSA Shareholders' Agreement will be automatically renewed on June 24, 2019 for other 10 years, in view of the lack of express opposition stated by subscribers up to June 24, 2017, in accordance with procedures set forth in Clause 12 of said Agreement. This decision reinforces the Controllers' commitment to the Company's sustainability and continuity.

Sustainability

Itaúsa was selected for the 14th year to make up the Dow Jones Sustainability World Index (DJSI), the main sustainability index in the world. In its 2017/2018 edition, the portfolio is made up of 319 companies from 29 countries, of which only six are Brazilian – among them, Itaúsa and Itaú Unibanco Holding. Itaúsa achieved the highest rate in the banking sector in the following criteria:

- Anti-Crime Policies/Actions;
- Financial Stability and Systemic Risk;
- Business Risks and Opportunities;
- Climate Strategy;
- Environmental Report; and
- Social Reporting.

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

For the 11th year, Itaúsa was selected to make up the portfolio of the B3 Corporate Sustainability Index (ISE). Itaú Unibanco and Duratex were also handpicked for this select list. This new portfolio gathers 33 shares from 30 companies, representing 12 sectors that totaled R$1.28 trillion in market value, corresponding to 41.47% of total market value of companies with shares traded on B3 (on 11.21.2017). This new portfolio will be in effect from January 8, 2018 to January 4, 2019.

Permanent Operation of the Fiscal Council

At the meeting held on August 7, 2017, the Board of Directors resolved to propose to the next Annual Stockholders' Meeting an amendment to the Company's Bylaws to make the operation of the Fiscal Council permanent. This proposal reaffirms the Company's commitment to the best corporate governance practices.

Sale and Acquisition of Material Equity Holding

On December 15, 2017, Fundação Petrobras de Seguridade Social – Petros informed that it had sold the totality of its ownership of the common shares issued by Itaúsa. On the same date, Fundação Antonio e Helena Zerrenner Instituição Nacional de Beneficência informed it had acquired 432,226,693 common shares issued by Itaúsa, corresponding to approximately 15.3% of the Company's total common shares.

On December 26, 2017, Walter Mendes de Oliveira Filho and Henrique Andrade Trinckquel Filho, effective and alternate members of Itaúsa's Board of Directors, submitted resignations from their respective positions.

Subsequent Events: Nomination of New Members for the Board of Directors and Execution of Shareholders' Agreement

On February 1, 2018, at the indication of shareholder Fundação Antonio e Helena Zerrenner Instituição Nacional de Beneficência ("FAHZ"), Victório Carlos De Marchi was nominated to fill in the position of effective member of the Board of Directors, and Silvio José Morais was nominated as his respective alternate.

In February 2018, the Controlling Stockholders of Itaúsa entered into a Shareholders' Agreement with FAHZ, ensuring the latter the right to elect an effective member for the Board of Directors of Itaúsa and a respective alternate member, during the period it holds a certain minimum ownership interest in Itaúsa's voting capital. This agreement also sets forth a 3% reciprocal preference for Itaúsa's common shares.

Company's Share Buyback Program/Cancellation of Shares

On August 7, 2017, the Board of Directors of Itaúsa resolved to cancel 50,970,229 book-entry common shares of own issue held in treasury, by absorbing R$448.7 million recorded in revenue reserves. The acquisition of shares of own issue is aimed at investing the Company's available funds. At the end of 2017, Itaúsa held no shares in treasury.

Strategic Developments: NTS and Alpargatas

NTS

On April 4, 2017, Itaúsa announced the acquisition of equities stake of Nova Transportadora do Sudeste S.A. – NTS ("NTS"), a company controlled by Nova Infraestrutura Fundo de Investimentos em Participações ("FIP"), a fund managed by Brookfield Brasil Asset Management Investimentos Ltda.

Itaúsa's investment in this transaction was US$292.3 million and resulted in a final stake of 7.65% in NTS' capital stock. Out of the amount invested, R$696.9 million was paid on April 4, 2017 and US$72.3 million will be paid in five years. In addition to this interest in NTS, Itaúsa also acquired from FIP debentures converted into shares issued by NTS, maturing in ten (10) years in the total amount of R$442.1 million.

NTS holds permits to operate 2,050 km of gas pipelines in the Southeast region of Brazil and has 100% of its transportation capacity of 158.2 million cubic meters per day contracted with Petróleo Brasileiro S.A. through five long-term ship-or-pay contracts. These permits are due as of 2039 and current transportation contracts expire between 2025 and 2031.

Itaúsa nominated one member to the Board of Directors of NTS (out of up to 10 members) and is a party to the shareholders' agreement along with FIP and Petrobras.

In compliance with accounting standards and in view of Itaúsa's interest in NTS below 20% of capital stock, the investment in the acquisition of NTS's shares was recorded in "Available-for-Sale Financial Assets". Debentures purchased, in turn, were recorded in "Held-to-Maturity Financial Assets".

Issue of Debentures

To reorganize the company's cash structure, down due to expenditures for acquisition of NTS and treasury shares, on May 4, 2017, the Board of Directors resolved on the issue of debentures in the amount of R$1.2 billion, with interest at

106.9% of CDI per year, with semiannual payments and amortization of 1/3 at the end of the 5th, 6th and 7th years.

Alpargatas

On July 12, 2017, Itaúsa announced that, together with Brasil Warrant Administração de Bens e Empresas S.A. and Cambuhy Investimentos Ltda., it had signed a purchase and sale agreement to purchase the total shares issued by Alpargatas S.A. held by J&F Investimentos S.A. (54.24% of total shares).

This transaction was closed on September 20, 2017. Itaúsa acquired 27.12% of Alpargatas' total capital stock, represented by 103,623,035 common shares (42.89% of common shares) and 23,968,521 preferred shares (10.47% of preferred shares), and paid approximately R$1.7 billion, with price per share equal to R$14.17 per common share and R$11.32 per preferred share.

On February 7, 2018, CVM approved the request for registration of a public offering for the purchase of common shares held by minority stockholders at a price equal to 80% of the amount paid by current controlling parties (R$11.34 per share). Itaúsa may invest at the most R$200 million in this transaction.

Alpargatas Governance structure has been under reorganization since the transaction was closed:

- On September 20, 2017, Itaúsa signed a Shareholders' Agreement with Cambuhy for the joint control of Alpargatas;
- On that same date the composition of the Board of Directors of Alpargatas was changed;
- On October 6, 2017, three permanent non-statutory advisory committees were set up: Strategy Committee, People Committee, and Finance Committee;
- At the Extraordinary Stockholders' Meeting held on November 1, 2017, new members were elected for the Fiscal Council. The same Meeting resolved on the creation of a permanent statutory Audit Committee, and on the amendment to the Bylaws.

Issue of Promissory Notes

On July 13, 2017, Management resolved on the issue of promissory notes up to the amount of R$1.8 billion, in three series (maturing in 2022, 2023 and 2024) with interest at 106% of DI for the first series, 107% for the second series, and 108% for the third series. Interest and the unit nominal value will be fully paid in the respective maturity dates of the series. On September 20, 2017, Management decided that the net funds to be funded through the promissory notes placement would be allocated to increase the Company's working capital. These promissory notes have not been issued yet.

Corporate Events and Return on Investments

At a meeting on February 19, 2018, the Board of Directors resolved on as follows:

Interest on Capital and Dividends for 2017:

- To pay on March 7, 2018 interest on capital declared on December 19, 2017, with December 22, 2017 as base date, in the amount of R$0.168060 per share (net of R$0.142851 per share).
- To declare additional dividends and interest on capital with February 22, 2018 as base date, as follows:

  (i) to pay interest on capital on March 7, 2018 in the amount of R$0.37400 per share (net of R$0.31790 per share);

  (ii) to pay dividends on March 7, 2018 in the amount of R$0.11025 per share; and

  (iii) to pay dividends on April 5, 2018 in the amount of R$0.18500 per share, so that this amount may be used to pay shares that could be subscribed by Stockholders at the capital call as mentioned below.

Capital Call:

- To increase the subscribed paid-up capital to R$38,515 million from R$37,145 million, 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 within the limit of authorized capital:

  (i) subscription price: R$7.80 per common or preferred share, according to the average weighted price of preferred shares on B3 in the period from October 06, 2017 to Februay 02, 2018, adjusted by a negative goodwill of approximately 30%; and

  (ii) preemptive right: stockholders may exercise their preemptive right to the subscription of shares in the period from February 28, 2018 to March 29, 2018, in the proportion of 2.3501435% on shares of the same type that they held in the final shareholding position of February 22, 2018.

As a result of the income determined in fiscal year 2017, return on investments will amount to R$6,601 million in dividends/ interest on capital, net of taxes. This amount represents a growth of 76.8% from the previous year. Payout (dividends and interest on capital/ net income of the Parent Company, excluding legal reserve of 5%) for 2017 was 83%, up 3,500 basis points from fiscal year 2016. It should be noted that total dividends/ interest on capital for 2017, net of capital call (R$5,231 million), represents a 74.7% increase compared to the net amount for 2016 (R$2,994 million).

At the end of December 2017, return[a] on investment in dividends/ interest on capital (dividend yield) to stockholders in relation to the average price in the year of the preferred share (ITSA4), net of taxes, was 8.90%.

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

3) ITAÚSA ECONOMIC PERFORMANCE

MAIN INDICATORS OF ITAÚSA'S INDIVIDUAL RESULTS

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries. Below we present Itaúsa's share of income and result, considering recurring events only (non-recurring events are detailed in the Reconciliation of Recurring Net Income table).

R$ million

Recurring Share of Individual Income by Area	01/01 to 12/31/2017	%	01/01 to 12/31/2016	%	Change	Change (%)
Financial Sector	**9,135**	**98.7%**	**8,754**	**100.9%**	**381**	**4.4%**
Non Financial Sector	**130**	**1.4%**	**(80)**	**-0.9%**	**210**	-262.5%
Alpargatas	48	0.5%	-	0.0%	48	n.a.
Duratex	66	0.7%	(4)	0.0%	70	-1750.0%
Elekeiroz	39	0.4%	(49)	-0.6%	88	-179.6%
Itautec	(23)	-0.2%	(27)	-0.3%	4	-14.8%
Others	**(6)**	**-0.1%**	**4**	**0.0%**	**(10)**	-250.0%
Recurring share of individual income	**9,259**	**100.0%**	**8,678**	**100.0%**	**581**	**6.7%**
Results of Itaúsa - net of taxes	**(139)**		**(35)**		**(104)**	-297.1%
Financial Income / Expenses	(42)		67		(109)	
Dividends	175		-		175	
General Administrative Expenses	(53)		(43)		(10)	
Tax Expenses	(308)		(288)		(20)	
Other Operating Revenues	11		24		(13)	
Income Tax / Social Contribution	78		205		(127)	
Recurring Net Income	**9,120**		**8,643**		**477**	**5.5%**
Non-Recurring results	**(717)**		**(432)**			
Itaúsa	(108)		-			
Arising from stockholding interest in financial sector	(589)		(170)			
Arising from stockholding interest in non financial sector	(20)		(262)			
Alpargatas	(29)		-			
Duratex	2		13			
Elekeiroz	7		(283)			
Itautec	-		7			
Itaúsa Empreendimentos	-		1			
Net Income	**8,403**		**8,211**		**192**	**2.3%**

General and Administrative Expenses (G&A)

Taking into account the administrative structure dedicated to Itaúsa's activities, composed of 73 people, G&A totaled R$82 million in 2017, up 15.5% from 2016. This increase was mainly driven by the engagement of services from consulting firms that supported Itaúsa's portfolio diversification.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R$ million

	Parent company		Non-controlling interests		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Net income	8,403	8,211	119	5	8,522	8,216
Recurring net income	9,120	8,643	192	(9)	9,312	8,634
Stockholders' equity	53,229	47,729	2,993	2,950	56,222	50,679
Annualized return on average equity (%)	16.8%	17.7%	4.0%	0.2%	16.1%	16.6%
Annualized recurring return on average equity (%)	18.2%	18.6%	6.5%	-0.3%	17.6%	17.5%

MAIN FINANCIAL INDICATORS

R$ per share

Results per share - in R$	12/31/2017	12/31/2016	Change
Net income of parent company	1.13	1.11	1.9%
Recurring net income of parent company	1.22	1.17	5.0%
Book value of parent company	7.12	6.45	10.5%
Dividends/ interest on capital, net	0.88	0.50	75.1%
Price of preferred share (PN) (1)	10.82	8.22	31.6%
Market capitalization (2) - R$ million	80,865	60,855	32.9%

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

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

MAIN INDICATORS OF ITAÚSA CONGLOMERATE COMPANIES

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

		Financial Sector	Non Financial Sector				R$ million
	January to December	Itaú	ALPARGATAS	Duratex	nts	Elekeiroz	ITAÚSA
Total assets	**2017**	**1,434,969**	**3,853**	**9,465**	**10,024**	**458**	**65,580**
	2016	1,353,241	3,782	9,341	n.d	434	59,020
Operating revenues [1]	**2017**	**189,625**	**3,722**	**3,991**	**4,112**	**979**	**13,532**
	2016	208,274	4,054	3,910	n.d	771	13,266
Net income	**2017**	**23,903**	**362**	**185**	**1,809**	**48**	**8,403**
	2016	23,263	362	24	n.d	(344)	8,211
Stockholders' equity	**2017**	**134,840**	**2,186**	**4,715**	**3,943**	**151**	**53,229**
	2016	122,582	1,976	4,570	n.d	111	47,729
Annualized return on average equity (%) [2]	**2017**	**19.7%**	**17.1%**	**4.0%**	**45.1%**	**38.0%**	**16.8%**
	2016	20.1%	18.9%	0.5%	n.d	-93.0%	17.7%
Internal fund generation [3]	**2017**	**83,366**	**478**	**1,014**	**2,781**	**86**	**1,187**
	2016	97,507	515	932	n.d	(24)	891
Interest of Itaúsa in companies [4] [5]	**2017**	**37.64%**	**27.55%**	**36.68%**	**7.65%**	**96.60%**	
	2016	37.36%	n.a.	35.57%	n.a.	96.60%	

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

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

(2) Represents the ratio of net income for the period and the average equity ((dec + sep + jun + mar + dec'16) /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.

4) CAPITAL MARKETS

Traded on B3, Itaúsa's preferred shares (ticker ITSA4) closed 2017 at R$10.82, a 31.5% increase from the closing price in the previous year, whereas Ibovespa, B3's main index, increased 26.9%.

At December 31, 2017, Itaúsa had 70,850 individual stockholders, up 37.0% from the end of 2016.

The daily average financial volume of preferred shares traded in 2017 was R$155.7 million, as compared to R$171.3 million in the previous year, with a total 5,943 thousand transactions (7,264 thousand in 2016).

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. The Investor Relations area discloses information on a monthly basis about the discount on the Company's website. To receive it, please register on www.itausa.com.br.

On December 28, 2017, Itaúsa's shares were traded at a 25.0% discount, compared to 27.8% at the end of 2016.

At the end of the period, market capitalization, based on the price of the most liquid shares (ITSA4), was R$80,865 million, a 32.9% increase from the previous year, whereas the total market value of the sum of interests in subsidiaries reached R$110,774 million.

Public Meeting - APIMEC

On September 26, 2017, Itaúsa held the 17th annual public meeting with investors, analysts and the market, in partnership with APIMEC. This event held at Hotel Unique in São Paulo – SP was attended by about 340 people and transmitted live via Internet. This meeting was one of the three most voted out of the 10 best meetings in 2017 held by APIMEC SP.

5) ITAÚSA PORTFOLIO

Itaú Unibanco

A bank with a purpose

In 2017, Itaú Unibanco unveiled the bank's purpose to its employees and highlighted the values that are part of its essence and have brought it here.

In these 93 years of history, Itaú Unibanco has become the largest bank in Brazil, and are deemed Brazil's most valued brand, among other relevant recognitions. These achievements are the result of the way it conducts business, by always placing ethics ahead of results and consistently seeking innovation and excellence.

Itaú Unibanco has grown by helping people and our country to grow, by encouraging the progress of those who are by its side. It works to make dreams come true, to boost development, and to wake the will to do increasingly more and better. This is what Itaú Unibanco's journey means and this is its purpose: Empowering people to change.

There are people behind everything the bank does. People who have ideas, who become the solutions, who change the lives of other people. Unveiling Itaú Unibanco's purpose is part of the reaffirmation of its reason to exist, by increasing the power every person has to invent and reinvent themselves. For this end, it needs to have the engagement of all employees towards the same pathway.

In line with this purpose, the arrival of Itaú Unibanco's new Executive President was marked by this purpose being integrated into the organization, which led to the definition of the six strategic priorities that will guide its actions in the coming years: client centricity, digitalization, people management, risk management, sustainable profitability, and internationalization.

These priorities were defined based on the perception shared by the Executive Committee of market trends and the challenges faced by the institution, as they organize initiatives that have been in progress throughout the bank already, reinforcing its commitment to employees, clients, stockholders and society. Itaú Unibanco's purpose was not born in 2017, but rather has always existed within all people who were part of this organization and within those who now keep this legacy alive. We are people who move people.

Medium and Long-Term Strategic Agenda

With medium to long-term prospects, these six strategic priorities have guided Itaú Unibanco's management. Its work was organized in frontlines, with responsibilities separated by working groups that involve many organizational levels, with clear purposes to be achieved and indicators selected for monitoring this process. The bank has already achieved some results and expects to add even more value to society and its stockholders in the coming years.

Those priorities were segregated into two groups: Transformation and Continuous Improvement.

- In the first group, the bank included the topics that it believes needs to be truly transformed within the organization: Client centricity, Digitalization and People Management.
- In the Continuous Improvement group, it included Risk Management, Internationalization and Sustainable Profitability. They are aspects broadly embraced by the organization, but require some effort for their continuous improvement.

Permeating all those challenges are corporate governance and sustainability.

Corporate governance plays a vital role in ensuring stakeholders' interests and is a key to achieve long-term sustainable growth. It is embedded not only in the challenges here described, but also in each aspect of the bank's daily business activities, from remuneration practices to risk management.

Sustainability needs to be fully integrated with business, from the operational to the commercial aspects, making environmental and social issues part of everyday activities. Its variables need to be integrated into and measured in each of its diverse processes, such as credit granting, investments, insurance activities, contracting of suppliers and wealth management.

These priority topics are detailed below:

The Year of 2017 - Highlights

New Executive President – In April 2017, Candido Botelho Bracher took over as the new Executive President of Itaú Unibanco, succeeding Roberto Egydio Setubal. After 23 years leading the Company, Mr. Setubal has reached the age limit and is now a co-chairman of the Board of Directors. We thank Mr. Setubal for all his dedication and contributions made to the organization, which experienced a period of significant growth, increasing, for instance, its annual recurring net income 69 fold.

Dividend and Interest on Capital– In 2017, Itaú Unibanco paid, recognized in a provision or identified in Stockholders' Equity the amount of R$17.6 billion in dividends and interest on capital, net, the highest in the bank's history, corresponding to 70.6% of 2017 consolidated recurring net income, which represents an increase of 75.6% from fiscal year 2016.

On March 7, 2018, the bank will pay dividends and interest on capital, net, of R$2.0707 per share (shareholding position on February 15, 2018) and R$0.122825 per share (shareholding position on December 14, 2017).

Therefore, for fiscal year 2017 (base date) the Company's stockholders will receive R$2.7127 net per share.

Additionally, considering the share buyback in 2017, payout accounts for 83.0% of the 2017 consolidated recurring net income.

In 2017, the bank adopted a new practice to pay dividends and interest on capital of at least 35% of annual recurring net income; the total amount to be paid each year will be determined by the Board of Directors, taking into account, among others:

1. the Company's capitalization level, in accordance with the rules defined by the Central Bank of Brazil;
2. the minimum level, established by the Board of Directors, of 13.5% for tier 1 capital;
3. profitability for the year;
4. the prospective use of capital in view of the expected business growth, share buyback program, mergers and acquisitions, and market and regulatory changes that might modify capital requirements; and
5. tax changes.

Therefore, the percentage to be distributed may change every year based on the company's profitability and capital demands, but always considering the minimum distribution set forth in the Bylaws.

Capital Management

Itaú Unibanco adopts a prospective approach to capital management, which comprises the following phases: (i) identifying material risks and determining the need of additional capital for these risks; (ii) preparing a capital plan, both in normal and stress scenarios; (iii) structuring a capital contingency plan; (iv) carrying out an internal capital adequacy assessment; and (v) preparing managerial and regulatory reports.

The result of the last ICAAP – dated as of December 2016 – showed that, in addition to having enough capital to face all material risks, Itaú Unibanco has a significant capital surplus, thus ensuring the soundness of its equity position.

To ensure the strength and capital availability to support business growth, regulatory capital levels were kept above the requirements of the Central Bank of Brazil, as evidenced by the Common Equity Tier I, Tier I, and BIS ratios. For further information, see to the "Risk and Capital Management Report – Pillar 3" report on website www.itau.com.br/investor-relations > Corporate Governance.

At the end of 2017, the BIS ratio was 18.8%, of which: (i) 16.2% related to Tier I Capital, which is composed of the sum of Core Capital and Additional Capital; and (ii) 2.6% related to Tier II Capital. These indicators provide evidence of the company's effective capacity of absorbing unexpected losses. The amount of subordinated debt, which is part of Tier II regulatory capital, reached R$19.8 billion at December 31, 2017.

Capital management in 2017 highlights are as follows:

➲ Share Buyback Program – From January to December 2017, the bank acquired shares of own issue:

- Preferred shares: 37,982,900, in the total amount of R$1.4 billion at the average price of R$36.19 per share.
- Common shares: 46,214,237, in the total amount of R$1.7 billion at the price of R$37.00 per share.
- The total of 84.2 million shares bought back equal 1.3% of the bank's capital stock at December 31, 2016.

Approved by the Board of Directors in December 2017, the current share buyback program authorizes the acquisition of up to 28,616,649 common shares and up to 50 million preferred shares of own issue, and it allows that operations be carried out from December 20, 2017 to June 19, 2019.

- Cancellation of Treasury Shares – Of the shares bought back and held in treasury, 31,793,105 common shares were cancelled, as decided by the Board of Directors, with no capital decrease. Cancellation is pending regulatory approvals.

The main objectives of the acquisition of own issued shares with subsequent cancellation are as follows: (i) maximizing capital allocation through the efficient application of available funds; (ii) arranging for the delivery of shares to employees and management members of the Company and its subsidiaries under the scope of remuneration models and long-term incentive plans; and/or (iii) using the shares acquired if business opportunities arise in the future.

- Perpetual Subordinated Notes – In December 2017, the bank issued for the first time perpetual subordinated notes/AT1, in the amount of US$1.25 billion. These notes were issued at a fixed rate of 6.125%, which will be applicable until the fifth anniversary of the date of issue. Thereafter, the coupon will be reset every five years, based on the prevailing rate for U.S. Treasury bonds for the same period. Itaú Unibanco may repurchase these notes on the fifth anniversary of the date of issue or on any subsequent interest payment date, subject to prior approval from Brazilian authorities, including the Central Bank of Brazil.

These notes were offered in the international market to qualified institutional buyers only, as defined by Rule 144A of the Securities Act, and to non-U.S. persons outside the United States under Regulation S of the Securities Act.

Itaú Unibanco has requested the approval from the Central Bank of Brazil, so that these perpetual subordinated notes be included in its Reference Equity as Additional Tier 1 Capital, adding 60 bps to the Company's Tier 1 capital ratio.

IFRS

The amounts commented on below, when related to accounting information, were calculated in accordance with the International Financial Reporting Standards (IFRS).

Selected Financial Information

In 2017, Itaú Unibanco's recurring net income was R$24.4 billion, a 3.8% increase from the previous year, impacted by lower provisions for loan losses.

General and administrative expenses increased 6.3% between 2017 and 2016, mainly driven by an increase in compensation and benefits and in credit cards expenses, and the risk-adjusted efficiency ratio was 64.0%, down 610 basis points from 2016.

Loan portfolio reached R$563.9 billion at the end of December 2017, up 0.5% from 2016. An increase has been recorded in origination demand and in some specific portfolios, such as vehicles, which recorded in the fourth quarter of 2017 the first ever increase since 2012, when we adopted the strategy of focusing on lower risk portfolios.

The strategic credit risk management supported the quality of loan portfolio in 2017, and nonperforming loans over 90 days overdue closed the year at 3.1%, down 30 basis points from the previous year.

Duratex

Duratex's consolidated investments totaled R$365.9 million in 2017, below the original estimate of R$420.0 million. In the fourth quarter of 2017, investments totaled R$82.6 million, of which R$43.6 million were aimed at industrial maintenance and projects, and R$39.0 million at forest OPEX. This result reinforces the Company's commitment to optimize cash generation and reduce financial leverage.
After approval from the Brazilian anti-trust agency (CADE) in October, the results of newly-acquired Ceusa, a benchmark in the ceramic tiles sector, started to be consolidated by Duratex. As previously disclosed, Ceusa was purchased for R$280.0 million and marked Duratex's introduction into this sector, so as to supplement its solutions portfolio. The integration of operations and start of the capture of synergies to leverage the business profitability are expected for 2018.

Results

In 2017, the company's net revenue totaled R$3,990.9 million, up 2.1% from the same period of 2016. This was mainly driven by a higher volume of sales, the successful implementation of price rises, and the consolidation of Ceusa's results. Of this amount, R$675.5 million were from the foreign market, approximately 17% of total revenues, through exports and Duratex Colombia operations.

In 2017, Duratex recorded adjusted recurring EBITDA of R$760.0 million, up 11.6% from 2016, and EBITDA margin of 19.0% compared to 17.4% in the previous year.

2017 ended on a positive note to the **Wood Division**, as a result of a gradual increase in demand levels and a new positioning adopted by Duratex for wood panels. The Company successfully rose prices over the year, in addition to carrying out commercial actions and developing products to boost demand and improve the mix of products, in addition to cost reduction efforts.

In the year, **Deca Division** also posted a positive result in sales growth, evidencing the strength and recognition of the brand

and quality of the product portfolio, essential to expanding activities in a still challenging period. Excluding the increased revenue driven by the consolidation of Ceusa's results, Deca's net revenue posted an 8.8% increase in 2017 compared to 2016.

In 2017, Duratex's consolidated net income of R$185.0 million, well above the R$26.2 million (positively impacted mainly by the sale of land of Duratex Florestal) recorded for 2016. This positive result in 2017 was mainly driven by cutting costs and expenses as per the Duratex Management System, rising prices implemented over the year, and by a more favorable financial result due to falling interest rates and the rescheduling of financial liabilities.

Duratex's net debt closed 2017 at R$2,100.5 million, representing a leverage ratio of 2.76x, in the net debt/EBITDA ratio, compared to 2,99x at the end of 2016. Reducing financial leverage remains one of Management's priorities for 2018, and one of the long-term strategy pillars.

Dividends

Stockholders are entitled to a mandatory minimum dividend of 30% of the adjusted net income for the period. As proposed by the Board of Directors, dividends were provided for, as interest on capital, in the amount of R$60.8 million, equivalent to R$0.08826330461 per share.

ALPARGATAS

In 2017, the highlights were the increased market share of Havaianas in the domestic market and the opening of 17 Havaianas brand stores in Brazil and 27 abroad, totaling 622 points of sale in the world. Direct sales of Havaianas flip-flops were started in Argentina and Colombia (previously sold by distributors), and a commercial office was opened in Hong Kong, China. In the year, the cash flows from operating activities totaled R$274.1 million and overall return on investments to stockholders amounted to R$247.7 million. Preferred and common shares appreciated by 78.6% and 96.5%, respectively.

Results

At the end of 2017, Alpargatas' consolidated net revenue totaled R$3,721.9 million, down 8.2% from 2016 driven by the fall in revenue from operations in domestic and foreign markets. In Brazil, the 8.3% decrease was mainly driven by a fall of 11.0% in the flip-flop business revenue. In the flip-flop international operations, the rise of 5.8% in volume of sales and the rise in average prices in U.S. dollar resulted in increases of 7.8% and 18.7% in export revenues in Euro and U.S. dollars, respectively. A slight fall of 1.0% was recorded in the revenue in Brazilian reais due to foreign exchange variation. In Argentina, a positive change of 5.6% in the revenue in Pesos was below local inflation. The appreciation of the Real against the Argentinian Peso reduced by 14.0% the revenue in Reais. In the fourth quarter of 2017, Alpargatas' consolidated net revenue was up 3.5% from the same period of 2016 due to the strong growth in revenue of brand Mizuno in Brazil.

Consolidated gross profit for 2017 totaled R$1,639.6 million and consolidated gross margin, of 44.1%, was pretty much the same as 2016. In the fourth quarter of 2017, consolidated gross margin of 43.8% was 110 basis points higher than the same period of 2016 due to the increase of 250 basis points in the gross margin of Brazil.

Consolidated EBITDA totaled R$486.2 million, down 15.6% from 2016, and the margin of 13.1% was 110 basis points lower than the previous year. In Brazil, the EBITDA of R$372.9 million increased 2.0% and the margin of 15.4% was up 150 basis points. The gross margin gain and the higher productivity of general and administrative expenses, as a result of the cost reduction program, helped this result. Additionally, in the year the Company recorded non-recurring revenue (net of non-recurring expenses) of R$10.9 million, and related highlights were the revenue of R$ R$198,5 million in the first quarter of 2017 in connection with the reversal of tax provision on the exclusion of ICMS from the COFINS calculation basis and the expense of R$125.5 million in the fourth quarter of 2017 in connection with the impairment of Osklen to reflect the new expected future gains of the latter. This amount is equivalent to approximately 40% of Osklen's book value recorded in Alpargatas. In the fourth quarter of 2017, Alpargatas' consolidated EBITDA was lower than the same period of 2016 driven by the impact of the impairment expense recorded.

Consolidated net income in 2017 was R$350.6 million, down 2.2% from 2016, and the net margin of 9.4% was up 60 basis points. In the fourth quarter of 2017, consolidated net income totaled R$45.1 million and net margin was 4.1%. This decrease compared to the net income for the last quarter of 2016 was due to the reduction in the Company's consolidated EBITDA.

At December 31, 2017, Alpargatas posted a negative financial position of R$27.3 million, as a result of the cash balance of R$706.3 million (cash flows from operating activities amounted to R$274.1 million in the year) and indebtedness of R$733.6 million.

Interest on Capital

In 2017, the overall return on investments to stockholders of Alpargatas totaled R$247.7 million.

NTS holds permits to operate 2,050 km of gas pipelines in the Southeast region and has 100% of its transportation capacity of 158.2 million cubic meters per day contracted with Petróleo Brasileiro S.A. through five long-term ship-or-pay contracts.

Results

In 2017 NTS' net revenue totaled R$4,112 million, with EBITDA of R$3,723 million. NTS recorded net income of R$1,809 million.

NTS' performance is in line with the forecasts and goals established in the interest acquisition analyses.

Dividends and Interest on Capital

In 2017, dividends/interest on capital, gross, received by Itaúsa totaled R$ 174.8 million, and income from interest on debentures held by Itaúsa totaled R$ 41.6 million.

The amount of R$26.6 million was invested in 2017 aimed at support of operations.

Results

In 2017 Elekeiroz recorded recurring net income of R$40,0 million, against recurring losses of R$50.3 million in 2016.

Net revenue was up 27% in 2017, totaling R$979 million, and highlight goes to the 28% increase in domestic sales. Net revenue continued to grow as in the previous quarters, leveraged by a shortage of supply of organic products, which gave rise to higher prices and more competitiveness of these products.

Gross profit in 2017 totaled R$153.4 million compared to R$40.0 million recorded in in 2016, a path of growth already noted in the previous quarters of 2017.

Products shipped in 2017 were up 25% compared to 2016, with a 31% increase in shipment of inorganic products (accounting for 56% of sales) and a 19% increase in the sale of organic products.

In 2017 Elekeiroz achieved a significant recovery of EBITDA, driven by larger volumes and better margins, together with efforts to optimize the production chain and reduce costs and expenses. EBITDA totaled R$87.8 million at the end of the year, corresponding to 9.0% of net revenue.

Dividends

Driven by the results achieved in 2017, Elekeiroz declared dividends to stockholders in the total amount of R$7.8 million.

Results

Partnership with OKI Electric Industry Co. Ltd. ("Oki"): On January 11, 2017, Itautec exercised a put option of 763,740 shares of Oki Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. (Oki Brasil) and received R$53.4 million from Oki. Accordingly, Itautec is now the holder of 1,717,650 shares, corresponding to 11.2% of Oki Brasil's capital stock. This remaining interest will be sold in January 2020 through a put option to be exercised against OKI.

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

6) PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 131,000 employees at the end of December 2017, including approximately 18,000 employees in foreign units and 74 people dedicated to Itaúsa's specific activities.

The fixed compensation plus charges and benefits of the Conglomerate's employees totaled R$17.3 billion from January to December 2017, a 13.1% increase from the previous year.

7) INDEPENDENT AUDITORS – CVM INSTRUCTION No. 381

Procedures adopted by the Company

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

In compliance with CVM Instruction 381, Itaúsa and its subsidiaries report that in the period from January to December 2017, the independent auditors and related parties provided the following non-audit related services:

- September 20, September 30, and November 28 – advisory services related to taxes levied in Belgium, France, and Switzerland, in the amount of R$17.4 thousand.

The engagement amount accounts for 6.9% of the total overall audit fees for the financial statements of 2017.

Independent Auditors' Justification – BDO

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

Other procedures adopted by the Company

Additionally, we decided to apply the provisions of this Instruction to engage non-audit related services by PwC. In the period from January to December 2017, the following services were provided, whose amounts represent less than 5.0% of the total overall audit fees:

- February 2 - review of fiscal bookkeeping;
- February 6, March 15, May 2, May 16, and September 29 – acquisition of survey, technical materials and training;
- March 2 - review of compliance with transfer pricing policies;
- August 1 – issue of report on income tax settlements.

Independent Auditors' Justification – PwC

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

8) ACKNOWLEDGMENTS

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

BOARD OF DIRECTORS

Chairman
Henri Penchas

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

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

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

EXECUTIVE BOARD

Chief Executive Officer
Alfredo Egydio Setubal (*)

Executive Vice-Presidents
Roberto Egydio Setubal
Rodolfo Villela Marino

(*) Investor Relations Officer

(**) Appointed on February 1, 2018

FISCAL COUNCIL

President
Tereza Cristina Grossi Togni

Members
Flavio César Maia Luz
José Maria Rabelo
Paulo Ricardo Moraes Amaral

Alternative members
José Roberto Brant de Carvalho
Felício Cintra do Prado Júnior
Isaac Berensztejn
João Costa

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

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

ASSETS	NOTE	12/31/2017	12/31/2016
Cash and cash equivalents	3	1,218	2,434
Financial assets held for trading	4	52	310
Available-for-sale financial assets	5	943	-
Held-to-maturity financial assets	6	444	-
Trade accounts receivable	7	1,091	934
Other financial assets	8a	1,056	1,423
Inventory	9	839	907
Investments in associates and joint ventures	10 IIa	51,777	45,062
Fixed assets, net	11	3,669	3,742
Intangible assets, net	12	1,119	997
Biological assets	13	1,699	1,529
Tax assets		1,603	1,597
Income tax and social contribution - current		354	550
Income tax and social contribution - deferred	14b	1,158	961
Other		91	86
Other non-financial assets	8a	68	85
TOTAL ASSETS		**65,578**	**59,020**

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2017	12/31/2016
Liabilities			
Dividends and interest on capital		1,377	2,032
Debentures	15	1,208	-
Loans and financing	16	3,548	3,712
Provision	17	1,416	996
Tax liabilities		664	863
Income tax and social contribution - current		28	44
Income tax and social contribution - deferred	14b	496	496
Other		140	323
Other liabilities	8b	1,143	738
Total Liabilities		**9,356**	**8,341**
Stockholders' Equity			
Capital	18a	37,145	36,405
Treasury shares	18b	-	(204)
Reserves	18d	17,275	13,077
Carrying value adjustments		(1,191)	(1,549)
Total Stockholders' Equity Attributable to Owners of the Parent Company		**53,229**	**47,729**
Non-controlling interests		2,993	2,950
Total Stockholders' Equity		**56,222**	**50,679**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**65,578**	**59,020**

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 12/31/2017	01/01 to 12/31/2016
Net sales revenue of products and services	20	4,969	4,687
Cost of products and services	21	(3,674)	(3,641)
Gross profit		**1,295**	**1,046**
Sales expenses	21	(686)	(629)
General and administrative expenses	21	(322)	(307)
Other (losses)/gains, net	22	49	(171)
Tax expenses		(310)	(290)
Share of income in associates and joint ventures	10 IIa	8,564	8,579
Operating result		**8,590**	**8,228**
Financial income	23	375	385
Financial expenses	23	(601)	(576)
Financial result		**(226)**	**(191)**
Income before income tax and social contribution		**8,364**	**8,037**
Current income tax and social contribution	14a	(65)	(75)
Deferred income tax and social contribution	14b	223	254
Net income		**8,522**	**8,216**
Net income attributable to owners of the parent company		8,403	8,211
Net income attributable to non-controlling interests		119	5
Earnings per share - basic and diluted	24		
Common		1.13	1.11
Preferred		1.13	1.11
Weighted average number of shares outstanding – basic and diluted			
Common		2,825,107,353	2,841,521,554
Preferred		4,625,156,289	4,575,176,570

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 12/31/2017	01/01 to 12/31/2016
Net income	**8,522**	**8,216**
Other comprehensive income	**358**	**(763)**
Amounts that will subsequently be reclassified to results	**362**	**(540)**
Interest in associates and jointly controlled entities, net of tax	**347**	**(520)**
Available-for-sale financial assets; hedges and foreign exchange variations on investments abroad	347	(520)
Interest in subsidiaries, net of tax	**7**	**(20)**
Foreign exchange variations on investments abroad	7	(20)
Fair value adjustment, net of tax	**8**	-
Available-for-sale financial assets	8	-
Amounts that will not subsequently be reclassified to results	**(4)**	**(223)**
Interest in associates and jointly controlled entities, net of tax	**(4)**	**(223)**
Remeasurement of post-employment benefit obligations	(4)	(223)
Total comprehensive income	**8,880**	**7,453**
Comprehensive income attributable to owners of the parent-company	8,761	7,448
Comprehensive income attributable to non-controlling interests	119	5

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

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

	Note	01/01 to 12/31/2017	01/01 to 12/31/2016
Cash flow from operating activities			
Adjusted net income		**1,187**	**891**
Net income		8,522	8,216
Adjustments to net income:		(7,335)	(7,325)
Share of income in associates and joint ventures	10 IIa	(8,564)	(8,579)
Deferred income tax and social contribution		(223)	(254)
Contingent liabilities	17b	205	194
Interest, foreign exchange and monetary variations, net		499	478
Depreciation, amortization and depletion		592	645
Change in fair value of biological assets	13c	(215)	(158)
Allowance for loan losses	7	13	48
Impairment of fixed assets and intangibles		-	155
Other		358	146
Changes in assets and liabilities		**(134)**	**(70)**
(Increase) decrease in financial assets		230	(28)
(Increase) decrease in trade accounts receivable		(194)	14
Decrease in inventory		89	61
(Increase) decrease in tax assets		257	(21)
Increase in other assets		(105)	(289)
Increase (decrease) in tax liabilities		(210)	89
Increase (decrease) in other liabilities		(201)	104
Others		**(384)**	**(346)**
Payment of income tax and social contribution		(46)	(15)
Interest paid on loans and financing		(338)	(331)
Net cash from operating activities		**669**	**475**
Cash flow from investment activities			
Purchase of investments		(3,004)	(131)
Sale of investments		2	-
Interest on debentures receivable		31	-
Acquisition of fixed assets, intangibles and biological assets		(399)	(404)
Sale of fixed assets, intangibles and biological assets		53	-
Interest on capital and dividends received		4,004	2,827
Judgment debt of the government receivable		9	-
Net cash from investment activities		**696**	**2,292**
Cash flow from financing activities			
Subscription of shares		68	20
Purchases of treasury shares	18b	(449)	(204)
Interest on capital and dividends paid		(3,190)	(2,900)
Loans and financing receivable		751	2,162
Payment of borrowing and financing		(963)	(1,406)
Issue of Debentures		1,200	-
Payment of debentures		-	(153)
Payment to the dissenting shareholders		-	(18)
Net cash used in financing activities		**(2,583)**	**(2,499)**
Net increase (decrease) in cash and cash equivalents		**(1,218)**	**268**
Cash and cash equivalents at the beginning of the period	3	2,434	2,174
Effects of changes in exchange rates on cash and cash equivalents		2	(8)
Cash and cash equivalents at the end of the period	3	1,218	2,434

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 12/31/2017	%	01/01 to 12/31/2016	%
Income	**6,366**		**5,929**	
Sales of products and services	6,247		5,866	
Allowance for doubtful accounts	(13)		(48)	
Other revenue	132		111	
Inputs purchased from third parties	**(4,100)**		**(4,040)**	
Cost of products and services	(3,391)		(3,138)	
Materials, energy and third-party services	(709)		(902)	
Gross value added	**2,266**		**1,889**	
Depreciation, amortization and depletion	(592)		(645)	
Net value added produced by the company	**1,674**		**1,244**	
Value added received from transfer	**9,124**		**8,990**	
Share of income in associates and joint ventures	8,564		8,579	
Financial income	375		385	
Other revenue	185		26	
Total value added to be distributed	**10,798**		**10,234**	
Distribution of value added	**10,798**	**100.00%**	**10,234**	**100.00%**
Personnel	831	7.70%	791	7.73%
Compensation	668		627	
Benefits	120		119	
FGTS – Government severance pay fund	42		43	
Other	1		2	
Taxes, fees and contributions	866	8.01%	674	6.59%
Federal	800		522	
State	51		141	
Municipal	15		11	
Return on third parties' assets	579	5.36%	553	5.40%
Interest	575		553	
Rental revenue	4		-	
Return on own assets	8,522	78.93%	8,216	80.28%
Dividends and interest on capital paid/provided for	7,296		4,315	
Retained earnings for the period	1,107		3,896	
Non-controlling interests in retained earnings	119		5	

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	12/31/2017	12/31/2016
Cash and cash equivalents		71	666
Financial assets held for trading		52	310
Available-for-sale financial assets	5	943	-
Held-to-maturity financial assets	6	444	-
Other financial assets		692	1,040
Dividends and interest on capital		656	1,006
Escrow deposits as guarantees of contingencies		36	34
Investments in subsidiaries, associates and joint ventures	10 Ic	53,962	47,138
Fixed assets, net		88	85
Intangible assets, net		460	460
Tax assets		1,078	1,168
Income tax and social contribution - current		254	483
Income tax and social contribution - deferred		822	683
Other		2	2
Other assets		7	6
TOTAL ASSETS		**57,797**	**50,873**

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

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2017	12/31/2016
Liabilities			
Dividends and interest on capital		1,334	2,028
Debentures	15	1,208	-
Loans and financing		501	-
Provision		1,244	821
Tax liabilities		30	290
Income tax and social contribution - deferred		8	4
Other		22	286
Other liabilities		251	5
Total Liabilities		**4,568**	**3,144**
Stockholders' Equity			
Capital	18a	37,145	36,405
Treasury shares	18b	-	(204)
Reserves	18d	17,275	13,077
Carrying value adjustments		(1,191)	(1,549)
Total Stockholders' Equity		**53,229**	**47,729**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**57,797**	**50,873**

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 12/31/2017	01/01 to 12/31/2016
Other (losses)/gains, net		23	24
General and administrative expenses		(53)	(43)
Tax expenses		(308)	(288)
Share of income in subsidiaries, associates and joint ventures	10 I c	8,650	8,246
Operating result		**8,312**	**7,939**
Financial income		133	146
Financial expenses		(175)	(79)
Financial result		**(42)**	**67**
Income before income tax and social contribution		**8,270**	**8,006**
Current income tax and social contribution		(5)	6
Deferred income tax and social contribution		138	199
Net income		**8,403**	**8,211**
Earnings per share - basic and diluted	24		
Common		1.13	1.11
Preferred		1.13	1.11
Weighted average number of shares outstanding – basic and diluted			
Common		2,825,107,353	2,841,521,554
Preferred		4,625,156,289	4,575,176,570

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 12/31/2017	01/01 to 12/31/2016
Net income	**8,403**	**8,211**
Other comprehensive income	**358**	**(763)**
Amounts that will subsequently be reclassified to results	**362**	**(540)**
Interest in associates and jointly controlled entities, net of tax	**347**	**(520)**
Available-for-sale financial assets, hedges and foreign exchange variations on investments abroad	347	(520)
Interest in subsidiaries, net of tax	**7**	**(20)**
Foreign exchange variation on investments abroad	7	(20)
Fair value adjustment, net of tax	**8**	**-**
Available-for-sale financial assets	8	-
Amounts that will not be subsequently reclassified to results	**(4)**	**(223)**
Interests in associates and jointly controlled entities, net of tax	**(4)**	**(221)**
Remeasurement of post-employment benefit obligations	(4)	(221)
Interest in subsidiaries, net of tax	**-**	**(2)**
Remeasurement of post-employment benefit obligations	-	(2)
Total comprehensive income	**8,761**	**7,448**

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
Statement of Changes in Stockholders' Equity (Note 18)
(In millions of reais)

	Attributable to owners of the parent company								Total stockholders' equity		
	Capital	Treasury shares	Capital reserves	Appropriated revenue reserves	Unappropriated revenue reserves	Proposal for distribution of additional dividends	Retained earnings / (accumulated deficit)	Carrying value adjustments	Owners of the parent company	Non-controlling interests	Total
Balance at 01/01/2016	**32,325**	**(33)**	**687**	**6,546**	**5,390**	**718**	**-**	**(786)**	**44,847**	**3,024**	**47,871**
Transactions with owners	4,080	(171)	-	(4,113)	-	524	(4,315)	-	**(3,995)**	(79)	**(4,074)**
Treasury shares	-	(204)	-	-	-	-	-	-	**(204)**	-	**(204)**
Cancellation of treasury stock	-	33	-	(33)	-	-	-	-	-	-	-
Increase in capital with reserves	4,080	-	-	(4,080)	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(79)	**(79)**
Dividends and interest on capital	-	-	-	-	-	-	(3,073)	-	**(3,073)**	-	**(3,073)**
Dividend – amount to be proposed in addition to the minimum mandatory	-	-	-	-	-	1,242	(1,242)	-	-	-	-
Dividend amount in addition to the minimum mandatory dividend for prior years	-	-	-	-	-	(718)	-	-	**(718)**	-	**(718)**
Transactions with subsidiaries and jointly controlled companies	-	-	20	(591)	-	-	-	-	**(571)**	-	**(571)**
Paid-in reserves	-	-	-	5,390	(5,390)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	8,211	(763)	**7,448**	5	**7,453**
Net income	-	-	-	-	-	-	8,211	-	**8,211**	5	**8,216**
Other comprehensive income	-	-	-	-	-	-	-	(763)	**(763)**	-	**(763)**
Appropriations:											
Legal reserve	-	-	-	411	-	-	(411)	-	-	-	-
Unappropriated-reserves	-	-	-	-	3,485	-	(3,485)	-	-	-	-
Balance at 12/31/2016	**36,405**	**(204)**	**707**	**7,643**	**3,485**	**1,242**	**-**	**(1,549)**	**47,729**	**2,950**	**50,679**
Change in the period	**4,080**	**(171)**	**20**	**1,097**	**(1,905)**	**524**	**-**	**(763)**	**2,882**	**(74)**	**2,808**
Balance at 01/01/2017	**36,405**	**(204)**	**707**	**7,643**	**3,485**	**1,242**	**-**	**(1,549)**	**47,729**	**2,950**	**50,679**
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	(28)	-	-	-	-	**(17)**	-	**(17)**
Paid-in reserves	-	-	-	3,485	(3,485)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	8,403	358	**8,761**	119	**8,880**
Net income	-	-	-	-	-	-	8,403	-	**8,403**	119	**8,522**
Other comprehensive income	-	-	-	-	-	-	-	358	**358**	-	**358**
Appropriations:											
Legal reserve	-	-	-	420	-	-	(420)	-	-	-	-
Unappropriated-reserves	-	-	-	-	687	-	(687)	-	-	-	-
Balance at 12/31/2017	**37,145**	**-**	**719**	**10,867**	**687**	**5,002**	**-**	**(1,191)**	**53,229**	**2,993**	**56,222**
Change in the period	**740**	**204**	**12**	**3,224**	**(2,798)**	**3,760**	**-**	**358**	**5,500**	**43**	**5,543**

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 12/31/2017	01/01 to 12/31/2016
Cash flow from operating activities		
Adjusted net income	**112**	**(10)**
Net income	8,403	8,211
Adjustments to net income:	(8,291)	(8,221)
Share of income in subsidiaries, associates and joint ventures	(8,650)	(8,246)
Deferred income tax and social contribution	(138)	(199)
Contingent liabilities	351	169
Interest and monetary variations, net	143	52
Depreciation and amortization	3	3
Changes in assets and liabilities	**147**	**50**
(Increase) decrease in financial assets	231	(28)
(Increase) decrease in tax assets	244	(147)
Decrease in other assets	313	466
Increase (decrease) in tax liabilities	(263)	174
Decrease in provision and other liabilities	(378)	(415)
Other	**(63)**	-
Interest paid on loans and financing	(63)	-
Net cash from operating activities	**196**	**40**
Cash flow from investment activities		
Capital increase in subsidiary	-	(1)
Acquisition of investments	(2,954)	-
Sale of investments	2	-
Purchases of fixed assets and intangible	(6)	(4)
Interest on debentures receivable	31	-
Interest on capital and dividends received	4,006	2,847
Net cash from investing activities	**1,079**	**2,842**
Cash flow from financing activities		
Advance for future capital increase	68	-
Loan operations	498	-
Settlement - Loan operations	(200)	-
Issue of debentures	1,200	-
Loans and financing receivable	200	-
Purchases of treasury shares	(449)	(204)
Interest on capital and dividends paid	(3,187)	(2,814)
Net cash used in financing activities	**(1,870)**	**(3,018)**
Net decrease in cash and cash equivalents	**(595)**	**(136)**
Cash and cash equivalents at the beginning of the period	666	802
Cash and cash equivalents at the end of the period	71	666

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 12/31/2017	%	01/01 to 12/31/2016	%
Inputs purchased from third parties	**(51)**		**(31)**	
Third-party services	(39)		(21)	
Other	(12)		(10)	
Gross value added	**(51)**		**(31)**	
Depreciation and amortization	(3)		(3)	
Net added value produced by the company	**(54)**		**(34)**	
Added value received through transfers	**8,970**		**8,416**	
Share of income in subsidiaries, associates and joint ventures	8,650		8,246	
Financial income	133		146	
Other income	187		24	
Total value added to be distributed	**8,916**		**8,382**	
Distribution of value added	**8,916**	**100.00%**	**8,382**	**100.00%**
Personnel - compensation	7	0.08%	8	0.10%
Taxes, fees and contributions	344	3.85%	84	1.00%
Return on third parties' assets - interest	162	1.82%	79	0.94%
Return on own assets	8,403	94.25%	8,211	97.96%
Dividends and interest on capital	7,296		4,315	
Retained earnings for the period	1,107		3,896	

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

ITAÚSA – INVESTIMENTOS ITAÚ S.A
Notes to the Financial Statements
at December 31, 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 Praça Alfredo Egydio de Souza Aranha, No. 100, Jabaquara, Torre Olavo Setubal, in the city of São Paulo, SP, Brazil.

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

Through its controlled and joint-controlled companies and other investments, ITAÚSA operates in the following markets: financial services (Itaú Unibanco Holding), wood panels, bathroom porcelains, bathroom fixtures and electronic showers (Duratex), footwear, apparel and sports products (Alpargatas), gas transportation (Nova Transporte do Sudeste – NTS) and chemical products (Elekeiroz) – as shown in Note 27 “Segment Information”.

ITAÚSA is a holding company controlled by the Egydio de Souza Aranha family which holds 63.26% of the common shares and 16.94% of the preferred shares, making 34.44% of the total.

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

These individual and consolidated financial statements were approved by the ITAÚSA Board of Directors on February 19, 2018.

NOTE 2 – ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

Consolidated financial statements

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

Individual financial statements

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

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

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

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

2.2 NEW PRONOUNCEMENTS, CHANGES TO AND INTERPRETATIONS OF EXISTING PRONOUNCEMENTS

a) Amendments to accounting pronouncements applicable to period ended December 31, 2017

- There were no amendments to accounting pronouncements applicable for the period ended December 31, 2017 with significant impact to ITAÚSA and its subsidiaries.

b) Accounting pronouncements recently issued and applicable to future periods

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

- CPC 48 / IFRS 9 – "Financial Instruments": This pronouncement addresses the classification, measurement, and recognition of financial assets and liabilities and the measurement of expected loan losses for financial and contractual assets, as well as new hedge accounting requirements. IFRS 9 was fully issued in July 2014 and will replace IAS 39 (whose related standard in Brazil is CPC 38: Financial Instruments: Recognition and Measurement (IAS 39)). CPC 48 (issued in December 2016 and approved by CVM on the same date), which is the standard equivalent to IFRS 9 in Brazil, requires the classification of financial assets in three categories: measured at fair value through income, fair value through other comprehensive income, and measured at amortized cost. This standard will be effective as of January 1, 2018.

  One of the major changes brought by this standard is that the classification and measurement basis of financial assets is dependent on an entity's business model for financial assets management and on the contractual characteristics of the cash flows of such financial assets. Also, this standard maintains most of the requirements set forth by CPC 38 for financial liabilities, and the main change is that for financial liabilities for which the entity adopted the fair value option, the fair value related to the entity's credit risk will be recorded in other comprehensive income, rather than in the income statement.

CPC 48 also replaces the “incurred losses” model of CPC 38 for a prospective “expected loan losses” model. This will require a material judgment as to the way changes in economic factors affect expected loan losses, which will be determined based on weighted probabilities.

Based on its best estimates, ITAÚSA believes that the impact of adopting CPC 48 will give rise to a reduction not higher than 3% in stockholder’s equity, net of tax effects, mainly driven by potential effects determined by its shared-controlled entity ITAÚ UNIBANCO HOLDING S.A.

Differences in accounting balances of financial assets and liabilities arising from the adoption of CPC 48 will be recognized in retained earnings at January 1, 2018 (effective date), directly impacting ITAÚSA’s stockholders’ equity.

- CPC 47 / IFRS 15 – “Revenue from Contracts with Clients” – Issued by IASB in May 2014, IFRS 15 requires that revenue is recognized in a way that shows the transfer of assets or services to the customer for an amount that reflects the company’s expectation of having in consideration the rights to these assets or services. CPC 47 (issued in December 2016 and approved by CVM on the same date), which is the standard equivalent to IFRS 15 in Brazil, will replace CPC 30 (IAS 18) and CPC 17 (IAS11) as well as the interpretation related thereto (Interpretation A and B – appendices to CPC 30, and ICPC 02 and 11). This pronouncement is effective for annual periods beginning on or after January 1, 2018.

  CPC 47 uses a five-stage approach to recognize revenue, which seeks not only to identify contracts with clients, but also their obligations to perform and the price of both the contract as a whole and each obligation to perform, taking into account market conditions or other alternate methodologies, if required. This approach also determines that an entity should define if the revenue would be recognized over time or at a certain moment in time.

  ITAÚSA has defined that the CPF 47 effective date will be January 1, 2018, and any effects arising from the application of this standard will affect retained earnings. It is not expected that the standard will have material impact on the financial statements of ITAÚSA and its subsidiaries.

- Amendments to IFRS 10 – “Consolidated Financial Statements” and IAS 28 – “Investments in Associates and Joint Ventures”. These amendments relate to an inconsistency between the requirements of IFRS 10 and IAS 28 (2011) regarding the sale or contribution of assets between an investor and its associates or joint ventures. The effective date has not been defined by the IASB yet. No material impacts arising from this change on the financial statements of the ITAÚSA were identified.

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

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

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the individual and consolidated financial statements in compliance with the CPCs requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses, gains and losses over the reporting and subsequent periods, because actual results may differ from those determined in accordance with these estimates and assumptions.

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

The financial statements reflect a variety of estimates and assumptions. The critical accounting estimates and assumptions that have the most significant impact on the carrying amounts of assets and liabilities are described below:

a) Deferred income tax and social contribution

As explained in Note 2.4m, deferred tax assets are recognized only in relation to temporary differences and losses carried-forward to the extent that it is probable that ITAÚSA and its subsidiaries will generate future taxable profits for their utilization. The expected realization of the deferred tax assets of ITAÚSA and its subsidiaries is based on the projection of future income and other technical studies, as disclosed in Note 14. The carrying amount of deferred tax assets was R$ 1,158 at December 31, 2017 (R$ 961 at December 31, 2016).

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 29.

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 29.

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 17.

The carrying amount of these contingencies at December 31, 2017 was R$ 1,471 (R$ 1,041 at December 31, 2016).

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

ITAÚSA and its subsidiaries use several estimates to value their forestry reserves, in accordance with the methodology established by CPC 29/IAS 41 – "Agriculture". These estimates are based on market references, and are subject to changes that could impact on the consolidated financial information. Specifically, a 5% reduction in standing wood prices would result in a reduction in the fair value of biological assets to R$ 56, net of tax effects. If the discount rate used were increased by 0.5%, this would result in a reduction in the fair value of biological assets of about R$ 12, net of tax effects.

The methodologies used to estimate the fair value of biological assets are also described in Note 13.

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 26b). 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 12/31/2017	Interest in capital at 12/31/2016
Joint ventures				
Itaú Unibanco Holding S.A.	Brazil	Holding company/Financial institution	37.64%	37.36%
IUPAR - Itaú Unibanco Participações S.A.	Brazil	Holding company	66.53%	66.53%
Alpargatas S.A.	Brazil	Footwear, apparel and sports items	27.55%	-
Full consolidation				
Duratex S.A.	Brazil	Wood and bathroom porcelain and metals	36.68%	35.53%
Elekeiroz S.A.	Brazil	Chemical products	96.60%	96.60%
Itaúsa Empreendimentos S.A.	Brazil	Service	100.00%	100.00%
Itautec S.A.	Brazil	Information technology	98.93%	97.80%
ITH Zux Cayman Ltd.	Cayman Islands	Holding	100.00%	100.00%
RT Diamond Multimercado Crédito Privado Fundo de Investimento	Brazil	Exclusive investment fund	100.00%	100.00%

II. Business combinations

Accounting for business combinations under CPC 15 / IFRS 3 – "Business Combinations" is applicable when a business is acquired. Under CPC 15 / IFRS 3, a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of 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 classifies its financial assets, upon initial recognition, depending on the purpose for which they are acquired. The classifications used are: designated at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets.

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

II. Recognition and measurement

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

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

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

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

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

III. Offsetting of financial instruments

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

IV. Impairment of financial assets

(i) Assets measured at amortized cost

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

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

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

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

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

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

(ii) Assets classified as available-for-sale

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

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

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

e) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

f) TRADE ACCOUNTS RECEIVABLE

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

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

g) INVENTORY

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

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

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

h) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

I. Associates

In conformity with 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".

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 11.

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 13. 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 19.

p) LOANS AND FINANCING

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

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

q) CAPITAL AND TREASURY SHARES

Capital

Common and preferred shares are classified in stockholders' equity. The additional costs directly attributable to the issue of new shares are included in stockholders' equity as a deduction from the amount raised, net of taxes.

Treasury shares

Common and preferred shares that are repurchased are recorded in stockholders' equity under "Treasury shares" at their average purchase prices.

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

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

r) DIVIDENDS AND INTEREST ON CAPITAL

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

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

s) EARNINGS PER SHARE

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

Earnings per share are presented based on the two types of stock issued by ITAÚSA. Both types, common and preferred, participate in dividends on substantially the same basis, except that preferred shares are entitled to a priority non-cumulative minimum annual dividend of R$ 0.01 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚSA after giving effect to the preference indicated above, without regard to whether the earnings will ultimately be fully distributed. Earnings per share amounts have been determined as if all earnings had been distributed and computed following the requirements of CPC 41 / IAS 33 – “Earnings per Share”.

t) REVENUE

Sales revenue of products and services

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

u) SEGMENT INFORMATION

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

ITAÚSA has the following business segments: the Financial Area and the non-financial Area, subdivided into Alpargatas, Duratex, NTS - Nova Transportadora do Sudeste and Elekeiroz.

Segmental information is presented in Note 27.

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):

	12/31/2017	12/31/2016
Cash and deposits on demand	84	50
Investments in fixed income and investment funds	71	319
Bank deposit certificates	992	1,399
Repurchase agreements	71	666
Total	**1,218**	**2,434**

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

NOTE 4 - FINANCIAL ASSETS HELD FOR TRADING

	12/31/2017	12/31/2016
Subordinated financial bills	-	61
Financial treasury bills	52	249
Total	**52**	**310**

NOTE 5 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

On April 4, 2017, ITAÚSA acquired a 7.65% stake in the capital stock of Nova Transportadora do Sudeste S.A. – NTS.

The amount of R$ 175 was recorded in income for the period, as a result of dividends and interest on capital received, which was recorded in line Other (Losses)/Gains, Net (Note 22).

On December 31, 2017, the fair value of this asset was R$ 943.

As this share is not traded in the market, the fair value is based on discounted cash flows, by using a rate based on a market interest rate and the risk premium specific for such share.

NOTE 6 – HELD-TO-MATURITY FINANCIAL ASSETS

On April 4, 2017, ITAÚSA acquired stock convertible debentures issued by Nova Transportadora do Sudeste S.A. - NTS, maturing in ten years, in the total amount of R$ 444, with interest at 100% of CDI plus interest of 4% per year. This interest is paid on a quarterly basis, in March, June, September and December of each year.

The amount of R$ 42, related to interest income from these debentures, was recorded in income for the period, in line Financial Result. The amount of R$ 39 was effectively received by ITAÚSA.

NOTE 7 - TRADE ACCOUNTS RECEIVABLE

Trade Accounts Receivable	12/31/2017	12/31/2016
Domestic customers	1,027	892
Foreign customers	138	105
Related parties	35	37
Impairment	(109)	(100)
Total	**1,091**	**934**

The balances of accounts receivable by maturity are as follows:

Maturities	12/31/2017	12/31/2016
Not yet due	1,025	897
Past-due up to 30 days	45	22
From 31 to 60 days	16	7
From 61 to 90 days	8	5
From 91 to 180 days	8	12
More than 180 days	98	91
Total	**1,200**	**1,034**

Below are the changes in the allowance for doubtful accounts:

	12/31/2017	12/31/2016
Opening balance	(100)	(59)
Constitution of provision	(13)	(49)
Reversal (income statement)	-	1
Write-offs	4	7
Closing Balance	**(109)**	**(100)**

NOTE 8 - OTHER ASSETS AND LIABILITIES

a) Other assets

	12/31/2017			12/31/2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Other financial assets						
Deposits as guarantees for contingent liabilities	-	99	99	-	99	99
Dividends and interest on stockholders' equity receivable	630	-	630	1,004	-	1,004
Amounts receivable from the sale of fixed assets	59	32	91	31	37	68
Retirement plan assets (Note 26)	4	128	132	5	126	131
Government debt certificates	-	2	2	-	10	10
Acquisition escrow accounts	3	27	30	3	20	23
Forest incentives	-	13	13	-	14	14
Electricity sales	4	-	4	9	-	9
Amounts receivable Partnership Oki Electric Industry Co. Ltd.	-	-	-	55	-	55
Other amounts receivable	25	30	55	2	8	10
Total	**725**	**331**	**1,056**	**1,109**	**314**	**1,423**
Other non-financial assets						
Prepaid expenses	15	-	15	14	-	14
Investment property	-	26	26	-	28	28
Held-for-sale assets	-	20	20	-	20	20
Other	7	-	7	-	23	23
Total	**22**	**46**	**68**	**14**	**71**	**85**

b) Other liabilities

	12/31/2017			12/31/2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Suppliers	350	-	350	246	-	246
Personnel provision	146	-	146	115	-	115
Accounts payable (from SCPs) to shareholders (*)	44	94	138	38	94	132
Advances from customers	19	5	24	8	5	13
Acquisitions of companies	37	32	69	20	32	52
Freight and insurance payable	14	-	14	15	-	15
Commission payable	8	-	8	8	-	8
Acquisitions of reforestation areas	5	-	5	12	-	12
Product warranty and technical support	13	4	17	15	4	19
Commercial leasing	-	9	9	-	10	10
Liabilities provided with joint operation partner	-	25	25	-	22	22
Liabilities payable - NTS	-	245	245	-	-	-
Other	51	42	93	55	39	94
Total	**687**	**456**	**1,143**	**532**	**206**	**738**

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

NOTE 9 – INVENTORY

	12/31/2017	12/31/2016
Raw materials, supplies and packaging	254	287
Finished products	385	408
Work in progress	104	121
Showrooms	124	121
Advances to suppliers	3	2
Allowance for inventory losses	(31)	(32)
Total	**839**	**907**

The cost of inventory recognized in results and included in “Cost of products and services” totaled R$ 3,674 (R$ 3,641 at December 31, 2016).

At December 31, 2017 and December 31, 2016, the subsidiaries of ITAÚSA did not have any inventory pledged as collateral.

NOTE 10 – INVESTMENTS

I) ITAÚSA

a) Acquisition of 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% 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.

Purchasers will carry out a public offering to purchase the common shares held by other Alpargatas shareholders, ensuring a price equal to 80% of the amount paid to sellers. The outcome of this public offering may result in purchasers increasing their stake in Alpargatas and in additional proportional disbursements by Itaúsa.

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.

A process to allocate a purchase price is in progress, taking into account the interest in net assets and liabilities stated at fair value, the consideration paid by Itaúsa and goodwill.

The table below shows the main information from the financial statements of Alpargatas at 12/31/2017:

Information	12/31/2017
Total assets	3,230
Total liabilities	1,043
Stockholders' Equity	2,186
Net income	362

b) 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.	Elekeiroz S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman company Ltd.
Stockholders' equity at 12/31/2015								
Capital	85,148	12,430	648	1,868	322	272	262	47
Treasury shares	(4,353)	-	(85)	(28)	-	-	-	-
Carrying value adjustments	(1,290)	(557)	(28)	459	-	-	-	-
Reserves	31,014	16,384	1,304	2,233	133	-	43	-
Other	1,733	-	-	-	-	(195)	-	(45)
Balance at 12/31/2015	**112,252**	**28,257**	**1,839**	**4,532**	**455**	**77**	**305**	**2**
Changes from 01/01 to 12/31/2016	**10,330**	**2,681**	**137**	**38**	**(344)**	**(21)**	**5**	-
Net income	23,263	3,916	362	24	(344)	(15)	5	-
Treasury shares	(160)	-	24	-	-	-	-	-
Dividends and interest on capital	(9,221)	(317)	(132)	(6)	-	-	-	-
Other comprehensive income	(1,984)	(521)	(117)	(61)	-	-	-	-
Other	(1,568)	(397)	-	81	-	(6)	-	-
Stockholders' equity at 12/31/2016								
Capital	97,148	12,430	648	1,962	322	272	262	45
Treasury shares	(1,882)	-	(64)	(28)	-	-	-	-
Carrying value adjustments	(3,274)	(1,078)	(146)	398	-	-	-	-
Reserves	28,805	19,586	1,538	2,238	8	-	48	-
Other	1,785	-	-	-	(219)	(216)	-	(43)
Balance at 12/31/2016	**122,582**	**30,938**	**1,976**	**4,570**	**111**	**56**	**310**	**2**
Changes from 01/01 to 12/31/2017	**12,258**	**3,508**	**210**	**145**	**40**	**(23)**	**(5)**	-
Net income	23,903	3,568	362	185	48	(23)	(5)	-
Treasury shares	(1,887)	-	-	-	-	-	-	-
Dividends and interest on capital	(10,582)	(301)	(149)	(61)	(8)	-	-	-
Other comprehensive income	915	241	(3)	19	-	-	-	-
Other	(91)	-	-	2	-	-	-	-
Stockholders' equity at 12/31/2017								
Capital	97,148	13,500	648	1,962	103	56	262	42
Treasury shares	(2,743)	-	(64)	(28)	-	-	-	-
Carrying value adjustments	(2,359)	(836)	(149)	417	-	-	-	-
Reserves	40,864	21,782	1,751	2,364	48	-	43	-
Other	1,930	-	-	-	-	(23)	-	(40)
Balance at 12/31/2017	**134,840**	**34,446**	**2,186**	**4,715**	**151**	**33**	**305**	**2**

c) 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.	Elekeiroz S.A.	Itautec S.A.	Itaúsa Empreend. S.A.	ITH Zux Cayman Company Ltd.
Outstanding Common shares at 12/31/2016	**3,351,741,143**	**710,454,184**	**241,608,551**	**689,298,742**	**14,518,150**	**11,072,186**	**2,186,700**	**12,200,000**
Shares of capital	3,351,744,217	710,454,184	241,608,577	691,784,501	14,518,150	11,199,367	2,186,700	12,200,000
Treasury shares	(3,074)	-	(26)	(2,485,759)	-	(127,181)	-	-
Outstanding Preferred shares at 12/31/2016	**3,160,958,864**	**350,942,273**	**221,444,849**	-	**16,967,020**	-	-	-
Shares of capital	3,230,563,326	350,942,273	228,841,226	-	16,967,020	-	-	-
Treasury shares	(69,604,462)	-	(7,396,377)	-	-	-	-	-
Outstanding shares 12/31/2016	**6,512,700,007**	**1,061,396,457**	**463,053,400**	**689,298,742**	**31,485,170**	**11,072,186**	**2,186,700**	**12,200,000**
Number of shares owned by ITAÚSA at 12/31/2016	**1,296,050,600**	**706,169,365**	-	**245,169,699**	**30,379,121**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,295,937,718	355,227,092	-	245,169,699	14,261,761	10,953,371	2,186,700	12,200,000
Preferred shares	112,882	350,942,273	-	-	16,117,360	-	-	-
Direct interest at 12/31/2016								
Interest in capital	19.90%	66.53%	0.00%	35.57%	96.49%	98.93%	100.00%	100.00%
Interest in voting capital	38.66%	50.00%	0.00%	35.57%	98.23%	98.93%	100.00%	100.00%
Common shares in circulation at 12/31/2017	**3,305,526,906**	**710,454,184**	**241,608,525**	**689,305,842**	**14,518,150**	**11,072,186**	**2,186,700**	**12,200,000**
Shares of capital	3,319,951,112	710,454,184	241,608,551	691,784,501	14,518,150	11,072,186	2,186,700	12,200,000
Treasury shares	(14,424,206)	-	(26)	(2,478,659)	-	-	-	-
Preferred shares in circulation at 12/31/2017	**3,159,103,612**	**350,942,273**	**221,444,849**	-	**16,967,020**	-	-	-
Shares of capital	3,230,563,326	350,942,273	228,841,226	-	16,967,020	-	-	-
Treasury shares	(71,459,714)	-	(7,396,377)	-	-	-	-	-
Outstanding shares at 12/31/2017	**6,464,630,518**	**1,061,396,457**	**463,053,374**	**689,305,842**	**31,485,170**	**11,072,186**	**2,186,700**	**12,200,000**
Number of shares owned by ITAÚSA at 12/31/2017	**1,296,050,600**	**706,169,365**	**127,591,556**	**252,807,715**	**30,379,121**	**10,953,371**	**2,186,700**	**12,200,000**
Common shares	1,295,937,718	355,227,092	103,623,035	252,807,715	14,261,761	10,953,371	2,186,700	12,200,000
Preferred shares	112,882	350,942,273	23,968,521	-	16,117,360	-	-	-
Direct interest at 12/31/2017								
Interest in capital	(1) 20.05%	66.53%	27.55%	36.68%	(3) 96.49%	98.93%	100.00%	100.00%
Interest in voting capital	(2) 39.21%	50.00%	42.89%	36.68%	98.23%	98.93%	100.00%	100.00%

(1) Itaúsa holds a direct interest in Itaú Unibanco Holding S.A. of 20.05% and an indirect interest of 17.59% through the investment in the jointly-controlled subsidiary Itaú Unibanco Participações S.A.(IUPAR), which holds a 26.44% direct interest in Itaú Unibanco Holding S.A., totaling 37.64% 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 65.07% of the voting capital.

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

d) 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 12/31/2015									
Interest in capital	22,336	18,800	-	1,603	440	75	305	2	43,561
Unrealized income (loss)	(13)	-	-	-	-	-	-	-	(13)
Fair value - identifiable assets and liabilities	93	-	-	-	-	-	-	-	93
Balance at 12/31/2015	**22,416**	**18,800**	**-**	**1,603**	**440**	**75**	**305**	**2**	**43,641**
Changes from 01/01 to 12/31/2016	**2,045**	**1,783**	-	**16**	**(332)**	**(20)**	**5**	-	**3,497**
Share of income	5,979	2,605	-	9	(332)	(20)	5	-	8,246
Dividends and interest on capital	(3,237)	(210)	-	(2)	-	-	-	-	(3,449)
Capital increase	-	-	-	34	-	-	-	-	34
Other comprehensive income	(395)	(346)	-	(22)	-	-	-	-	(763)
Other	(302)	(266)	-	(3)	-	-	-	-	(571)
Investment balance at 12/31/2016									
Interest in capital	24,394	20,583	-	1,619	108	55	310	2	47,071
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable assets and liabilities (Note 25)	79	-	-	-	-	-	-	-	79
Balance at 12/31/2016	**24,461**	**20,583**	**-**	**1,619**	**108**	**55**	**310**	**2**	**47,138**
Changes from 01/01 to 12/31/2017	**2,628**	**2,334**	**1,749**	**104**	**38**	**(23)**	**(6)**	-	**6,824**
Share of income	6,172	2,374	19	68	46	(23)	(6)	-	8,650
Dividends and interest on capital	(3,727)	(200)	(10)	(22)	(8)	-	-	-	(3,967)
Purchase of shares	-	-	1,740	51	-	-	-	-	1,791
Other comprehensive income	183	160	-	7	-	-	-	-	350
Investment balance at 12/31/2017									
Interest in capital	27,033	22,917	1,749	1,723	146	32	304	2	53,906
Unrealized income (loss)	(12)	-	-	-	-	-	-	-	(12)
Fair value - identifiable assets and liabilities (Note 25)	68	-	-	-	-	-	-	-	68
Balance at 12/31/2017	**27,089**	**22,917**	**1,749**	**1,723**	**146**	**32**	**304**	**2**	**53,962**
Market Value of the Stake at 12/31/2017 (*)	**103,709**	**-**	**2,223**	**2,308**	**249**	**171**	**-**	**-**	**108,660**

(*) Disclosed only for public companies.

II) ITAÚSA CONSOLIDATED

a) Composition of investments in associates and jointly controlled entities

	Interest % at 12/31/2016		12/31/2016			01/01 to 12/31/2016	
	Total	Voting	Stockholders' equity	Investment balance	Market value	Net income	Share of income
Itaú Unibanco Holding	37.36	64.16	122,582	24,461	81,955	23,263	5,979
IUPAR - Itaú Unibanco Participações	66.53	50.00	30,938	20,583	-	3,916	2,605
Nexoleum Bioderivados S.A.	-	-	-	18	-	-	(1)
Other	-	-	-	-	-	-	(*) (4)
Total				**45,062**			**8,579**

	Interest % at 12/31/2017		12/31/2017			01/01 to 12/31/2017	
	Total	Voting	Stockholders' equity	Investment balance	Market value	Net income	Share of income
Itaú Unibanco Holding	37.64	64.16	134,840	27,089	103,709	23,903	6,172
IUPAR - Itaú Unibanco Participações	66.53	50.00	34,446	22,917	-	3,568	2,374
Alpargatas (Note 10Ia)	27.55	42.89	2,186	1,749	2,223	362	19
Nexoleum Bioderivados S.A.	-	-	-	16	-	-	(1)
Viva Decora Ltda	-	-	-	6	-	-	-
Total				**51,777**			**8,564**

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

b) Other information

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

Assets and liabilities (*)	12/31/2017	12/31/2016
Assets	**1,434,974**	**1,353,261**
Cash and cash equivalents	83,314	96,121
Financial assets	801,154	708,625
Loan operations and lease operations portfolio	465,472	463,394
Tax assets	41,932	44,292
Other assets	43,102	40,829
Liabilities	**1,288,161**	**1,219,668**
Deposits	402,938	329,414
Securities sold under repurchase agreements	312,634	349,164
Other financial liabilities	336,223	331,918
Reserves for insurance and private pensions	181,232	154,076
Civil, labor, tax and social security lawsuits	19,736	20,909
Other liabilities	35,398	34,187

(*) Basically represented by Itaú Unibanco Holding.

Other Financial Information - Itaú Unibanco Holding	01/01 to 12/31/2017	01/01 to 12/31/2016
Interest and similar income	144,690	161,495
Interest and similar expenses	(78,325)	(95,126)
Net income before income tax and social contribution	32,211	38,192
Income tax and social contribution (*)	(7,943)	(14,610)
Net income	24,268	23,582
Net income attributable to the owners of the parent company	23,903	23,263
Other comprehensive income	915	(1,984)
Total comprehensive income	24,818	21,279

(*) Considering the temporary effects of Law 13,169/15, which increases the social contribution tax rate to 20%, tax credits were accounted for based on their expected realization. There were no unrecorded deferred tax assets at 12/31/2017 e 12/31/2016.

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

NOTE 12 – INTANGIBLE ASSETS

Intangible Assets	Software	Trademarks and patents	Goodwill for future profitability	Customer portfolio	Total
Balance at 12/31/2015					
Cost	85	26	714	414	**1,239**
Accumulated amortization	(52)	(2)	-	(161)	**(215)**
Net value	**33**	**24**	**714**	**253**	**1,024**
Change from 01/01 to 12/31/2016	**5**	**(7)**	**5**	**(30)**	**(27)**
Acquisitions	12	1	-	-	**13**
Amortization expense	(7)	(1)	-	(28)	**(36)**
Impairment	(1)	(3)	-	(2)	**(6)**
Other	1	(4)	5	-	**2**
Balance at 12/31/2016					
Cost	98	23	719	412	**1,252**
Accumulated amortization	(59)	(3)	-	(189)	**(251)**
Impairment	(1)	(3)	-	-	**(4)**
Net value	**38**	**17**	**719**	**223**	**997**
Annual amortization rates	*20%*	*-*	*-*	*6.67%*	
Changes 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	819	412	**1,403**
Accumulated amortization	(68)	-	-	(215)	**(283)**
Impairment	(1)	-	-	-	**(1)**
Net value	**39**	**64**	**819**	**197**	**1,119**
Annual amortization rates	*20%*	*-*	*-*	*6.67%*	

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

	12/31/2017	12/31/2016
Acquisitions		
Itaú Unibanco Holding (note 25)	437	437
Satipel	188	188
Thermosystem	26	26
Cerâmica Monte Carlo	22	22
Deca Nordeste	17	17
Duchacorona	5	5
Metalúrgica Jacareí	2	2
Ceusa e Massima	100	-
Other acquisitions	22	22
Net value	**819**	**719**

NOTE 13 – 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, 2017, these companies had approximately 179.6 thousand hectares in areas of effective planting (176.7 thousand hectares at December 31, 2016) 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, 2017 and 10.1% p.a. at December 31, 2016. 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:

	12/31/2017	12/31/2016
Cost of formation of biological assets	1,045	966
Difference between cost and fair value	654	563
Fair value of biological assets	**1,699**	**1,529**

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:

	12/31/2017	12/31/2016
Opening balance	**1,529**	**1,442**
Variations in fair value		
Volume price	215	158
Depletion	(123)	(142)
Variations in historical value		
Formation	176	178
Depletion	(98)	(107)
Closing balance	**1,699**	**1,529**

	01/01 to 12/31/2017	01/01 to 12/31/2016
Effects of variations in the fair value of biological assets	**92**	**80**
Variations in fair value	215	158
Depletion of fair value	(123)	(78)

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, 2017 was R$43.24 /cubic meters (at December 31, 2016 it was R$43.32 /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$84 on the fair value of forests.

Discount rate was 5.7% p.y. at December 31, 2017 and 10.1% p.y. at December 31, 2016. 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$18.

NOTE 14 - 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 12/31/2017	01/01 to 12/31/2016
Income before income tax and social contribution	**8,364**	**8,037**
Charges (income tax and social contribution) at the current rates	(2,844)	(2,733)
Increase/decrease in income tax and social contribution charges arising from:		
(Additions) / exclusions	**3,002**	**2,912**
Share of comprehensive income of associates and joint ventures	2,912	2,917
Dividends on investments stated at acquisition cost	53	-
Interest on capital	(25)	111
Recognition (Reversal) of Deferred Tax Assets (*)	57	(50)
Temporary Additions with no Recognition of Deferred Tax Assets	(7)	(84)
Other	12	18
Total income tax and social contribution	**158**	**179**

(*) In 2017, it refers to subsidiary Itautec, whose amounts of tax assets arising from tax losses carryforward and negative basis of social contribution were used upon adherence to the Special Tax Regularization Program (PERT) (note 17d). In 2016, it refers to adjustments in subsidiary Elekeiroz arising from write-off of receivables from Income Tax and Social Contribution expected to be recovered after over 10 years.

b) Deferred income tax and social contribution

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

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

	12/31/2016	Realization/ reversal	Increase (1)	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 (2)	(37)	-	(2)	(39)
Sales of property	(18)	-	(1)	(19)
Biological Assets (2)	(192)	-	(31)	(223)
Client Portfolio (2)	(76)	5	-	(71)
Other liabilities (2)	(74)	1	(3)	(76)
Total deferred tax liabilities	**(496)**	**40**	**(40)**	**(496)**
Deferred tax assets, net	**465**	**13**	**184**	**662**

(1) It includes the effects of the acquisition of Ceusa and Massina by subsidiary Duratex for R$ 37.

(2) In 2016, amounts were disclosed in "Adjustments to CPCs / IFRS", Pension Plans amounts correspond to R$ 34 and Other Obligations amounts correspond to R$ 56.

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

Year	12/31/2017
2018	202
2019	203
2020	455
2021	39
2022	49
2023 onwards	210
Total	**1,158**

III – On December 31, 2017, deferred tax assets not recognized totaled R$ 241.

NOTE 15 – 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, 2017 the updated amount of these debentures was R$ 1,208.

NOTE 16 – LOANS AND FINANCING

Type [1]	Charges	Guarantees	12/31/2017		12/31/2016	
			Current	Non Current	Current	Non Current
Duratex						
BNDES	TJLP + 2.2 % p.a.	Surety - Itaúsa	-	-	6	-
BNDES	TJLP + 2.7 % p.a.	Guarantee - Cia Ligna de Investimentos	-	-	-	1
BNDES	TJLP + 2.8 % p.a.	Surety - 70% Itaúsa and 30% natural person	24	42	84	65
BNDES	Fixed 2.5 % to 7 % p.a.	Surety - 70% Itaúsa and 30% natural person	1	1	4	2
BNDES	SELIC + 2.16 % p.a.	Surety - 70% Itaúsa and 30% natural person	1	-	1	1
FINAME	TJLP + 2.3 % p.a./ Fixed 6 % p.a.	Chattel Mortgage and Promissory Notes	11	44	10	36
FINAME	6.0 % p.a.	Chattel Mortgage and Guarantee	1	5	1	5
FUNDIEST	30 % IGP-M per month	Guarantee - Cia Ligna de Investimentos	29	50	28	74
FUNDOPEM	IPCA + 3 % p.a.	Surety - 70% Itaúsa and 30% natural person	-	-	3	48
PROINVEST / PRO FLORESTA	IGP-M + 4 % p.a./IPCA + 6 % p.a.	Guarantee - Cia Ligna and Mortgage of Asset	-	-	1	-
EXPORT CREDIT with swap	8.0 % p.a.	-	20	-	39	20
EXPORT CREDIT	104.8 % to 107.5 % of CDI	-	203	534	14	693
DISCOUNT NPR	9.5 % p.a	Promissory Note	-	-	40	-
EXIM TJLP	TJLP + 3.3 % p.a.	Promissory Note	117	-	1	115
EXIM SELIC	Selic + 3.6 % p.a.	Promissory Note	56	-	-	51
PROMISSORY NOTE	104.5% OF cdi	-	-	506	-	-
Total local currency			**463**	**1,182**	**232**	**1,111**
BNDES	Basket of currencies + 2.2 % p.a.	Surety - Itaúsa	-	-	1	-
BNDES	US$ + LIBOR + 1.6 % p.a.	Surety - Itaúsa	-	-	1	-
ACC	US$ + 3.8 % p.a.	Promissory Note	-	-	66	-
RESOLUTION 4131 with Swap	US$ + Libor + 1.50 % p.a.	Promissory Note	1	178	1	180
RESOLUTION 4131 with Swap	US$ + 2.11 % to 3.66 % p.a.	Promissory Note	232	181	340	387
Total foreign currency			**233**	**359**	**409**	**567**
Total Duratex			**696**	**1,541**	**641**	**1,678**
Duratex Subsidiaries						
BNDES	3.5 % to 5.5 % p.a.	Surety - 70% Itaúsa and 30% natural person	1	2	1	26
BNDES	TJLP + 2.8 % p.a.	Surety - 70% Itaúsa and 30% natural person	19	59	2	52
FINAME	Fixed 5.6 % to 9 % p.a.	Chattel Mortgage and Surety Duratex S.A.	2	2	2	6
FINAME	TJLP + 4.0 % p.a.	Chattel Mortgage and Surety Duratex S.A.	1	6	-	-
FINAME	Selic + 4.28 % p.a.	Chattel Mortgage and Surety Duratex S.A.	-	1	-	-
EXPORT CREDIT NOTE	104.9 % of CDI	Surety - Duratex S.A.	40	106	7	141
RURAL CREDIT NOTE	12.75 % p.a.	Surety - Duratex S.A.	-	-	-	177
RURAL CREDIT NOTE	12.75 % p.a.	-	-	-	13	-
CRA	98 % of CDI	Guarantee - Duratex S.A.	1	692	1	693
DISCOUNTED TRADE RECEIVABLE	1,65% per month	-	4	-	-	-
Total local currency			**68**	**868**	**26**	**1,095**
CII	LIBOR + 3.95 % p.a.	Pledge and Mortgage of Equipment	1	-	3	-
DEG/CII	5.4 % p.a.	Pledge and Mortgage of Equipment	-	-	10	2
LEASING	DTF + 2.0 % p.a	Promissory Note	-	1	1	2
Total foreign currency			**1**	**1**	**14**	**4**
Total Duratex subsidiaries			**69**	**869**	**40**	**1,099**
Elekeiroz						
BNDES	TJLP + 1.72 % to 4.32 % p.a.	Surety - Itaúsa	12	20	15	32
BNDES	IPCA + 1.96 % to 2.26 % p.a.	Surety - Itaúsa	2	7	5	7
BNDES	3.0 % to 6.0 % p.a.	Surety - Itaúsa	1	1	1	2
FINEP	3.5% p.a.	Surety - Itaúsa	2	5	2	7
NCE SAFRA	127 % of CDI	-	28	25	-	54
BNB	9.50 % p.a.	Surety - Itaúsa	9	19	-	28
Total local currency			**54**	**77**	**23**	**130**
BNDES	Exchange variation + 2.12 % to 2.16 % p.a.	Surety - Itaúsa	3	4	4	7
NCE - ABC	129.25 % of CDI	-	7	7	7	13
PREPAYMENT EXPORT	CDI + 5.22 % p.a.	-	-	-	5	1
4131 - ABC	129 % of CDI	Surety - Itaúsa	-	-	30	-
4131 - SAFRA	131.70 % of CDI	Surety - Itaúsa	17	-	-	-
Total foreign currency			**27**	**11**	**46**	**21**
Total Elekeiroz			**81**	**88**	**69**	**151**
Itautec						
FINEP	4.0 % p.a.	Surety - Itaúsa	4	-	14	4
ALFA CG	114.8 % to 115 % of CDI	-	-	-	16	-
Total local currency			**4**	**-**	**30**	**4**
Total Itautec			**4**	**-**	**30**	**4**
Itaúsa						
CCB - SAFRA	108 % of CDI		200	-	-	-
Total local currency			**200**	**-**	**-**	**-**
Total Itaúsa			**200**	**-**	**-**	**-**
Total Itaúsa Consolidated			**1,050**	**2,498**	**780**	**2,932**

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

Maturities	12/31/2017	12/31/2016
2018	-	869
2019	785	765
2020	925	483
2021	86	82
2022	697	711
2023	2	9
2024	3	7
Other	-	6
Total	**2,498**	**2,932**

Reconciliation of net debt	12/31/2017	12/31/2016
Short-term loans	1,050	780
Long-term loans	2,498	2,932
Total debt	**3,548**	**3,712**
Cash and cash equivalents (note 3)	(1,218)	(2,434)
Net debt	**2,330**	**1,278**

NOTE 17 – 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.

	12/31/2017	12/31/2016
Tax lawsuits	**210**	**230**
IPI bonus credit from 1980 to 1985 (1)	119	136
Monetary adjustment of credits from Eletrobrás	13	14
INSS - Social Security Contributions (2)	37	47
Integration program tax on revenue ("PIS") and social security funding tax on revenue ("COFINS")	21	23
Other	20	10
Civil lawsuits	**18**	**17**
Collection/execution of out-of-court instruments	15	14
Other	3	3
Total	**228**	**247**

(1) In May 2017, a judicial remedy granting subsidiary Duratex the right to refund the so-called IPI Bonus Credit for 1984 was issued a final and unappealable decision, and this offset credit was recorded in 2017 in the amount of R$ 40.

(2) This lower balance refers basically to the change in outlook of this contingent asset, from probable to remote, based on the opinion of subsidiary Duratex' legal counsel.

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 12/31/2015	**664**	**87**	**20**	**771**
Adjustment	83	21	3	107
Increase	189	34	3	226
Reversal	(17)	(12)	(3)	(32)
Payments	-	(30)	(1)	(31)
Balance at 12/31/2016	**919**	**100**	**22**	**1,041**
Escrow deposits	(30)	(15)	-	(45)
Balance at 12/31/2016 after the offset of escrow deposits	**889**	**85**	**22**	**996**

	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 (item d).

The main discussions related to tax provision are as follows:

- PIS and COFINS – R$ 1,245: 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, 2017, these lawsuits totaled R$ 1,116 for tax lawsuits, R$ 88 for labor claims and R$ 10 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$ 554: cases in which the liquidity and certainty of offsetting credits are being discussed;
- Taxation of revaluation reserve – R$ 279: 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$ 51: discussion regarding the levying, recognition and use of ICMS credits;
- PIS and COFINS – disallowance of credits – R$ 49: the restriction regarding the right to credits in connection with certain inputs related to these contributions is being disputed;
- Differences in accessory obligations – R$ 17: there is a discussion regarding possible differences within the information included in the accessory obligations;
- Income tax and social contribution – profit made available abroad – R$ 15: discussion of the calculation basis for the levying of these taxes on profits earned abroad;
- IRPJ and CSLL – disallowance of credits - R$ 13: Deduction of tax paid overseas by the parent company is being disputed.

d) Program for Settlement or Installment Payment of Taxes

Subsidiaries Duratex and Itautec have adhered, on the federal level, to the Special Tax Regularization Program (PERT), introduced by Law No. 13,496, of October 24, 2017 and, on the state level, to the main legislations related to installment payment of taxes, that is, Decree No. 62,709 in São Paulo, of July 19, 2017, Supplementary Law No. 362 in Pernambuco, of June 23, 2017, and Law No. 13,803 in Bahia, of November 23, 2017.

These programs promote the regularization of the debits mentioned in these laws, arising from tax and social security debits, including those registered as overdue tax liabilities.

The net effect on income for fiscal year 2017 was a gain of R$ 12, as a result of the companies' adherence to the program.

NOTE 18 – ITAÚSA STOCKHOLDERS' EQUITY

a) Capital

On the meeting held on May 18, 2017, the Board of Directors approved the increase of subscribed paid-in capital to R$ 37,145 from R$ 36,405, with the issue of 121,311,478 new book-entry shares, with no par value, of which 46,341,899 are common and 74,969,579 are preferred shares, for private subscription at R$ 6.10 per share.

At the meeting held on August 07, 2017, the Board of Directors resolved on the cancellation of 77,789,229 common shares of own issue held in treasury, by absorbing R$ 653 recorded in Revenue Reserves.

Subscribed paid-in capital now totals R$ 37,145, represented by 7,473,629,873 book-entry shares, with no par value, of which 2,823,483,724 are common and 4,650,146,149 are non-voting preferred shares, entitled to the following advantages:

- Priority receipt of a non-cumulative annual minimum dividend of R$ 0.01 per share;
- The right, during a possible disposal of control, to be included in the public offering of shares, so as to be entitled to a price equal to 80% of the amount paid for a share with voting rights, which is part of the controlling stake, and dividends equal to those of the common shares.

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

The table below shows the breakdown of and changes in shares of paid-in capital and the reconciliation of the balances at December 31, 2016 and 2017:

	Number			Amount
	Common	Preferred	Total	
Shares outstanding at 12/31/2015	**2,595,391,868**	**4,159,251,428**	**6,754,643,296**	**32,325**
Changes in shares of paid-in capital from 01/01 to 12/31/2016	**257,383,946**	**413,925,142**	**671,309,088**	**4,080**
Capital increase based on capitalization of revenue reserves	-	-	-	4,080
Cancellation of treasury stock	(2,155,240)	(2,000,000)	(4,155,240)	-
10% bonus shares	259,539,186	415,925,142	675,464,328	-
Shares of capital stock at 12/31/2016	**2,854,931,054**	**4,575,176,570**	**7,430,107,624**	**36,405**
Residents in Brazil	2,854,100,005	2,735,820,552	5,589,920,557	27,389
Residents abroad	831,049	1,839,356,018	1,840,187,067	9,016
Treasury shares at 12/31/2016	**(26,819,000)**	**-**	**(26,819,000)**	**-**
Treasury shares at 12/31/2015	(2,155,240)	(2,000,000)	(4,155,240)	-
Shares purchased	(26,819,000)	-	(26,819,000)	-
Cancellation of treasury stock	2,155,240	2,000,000	4,155,240	-
Shares outstanding at 12/31/2016	**2,828,112,054**	**4,575,176,570**	**7,403,288,624**	**36,405**
Changes in shares of paid-in capital from 01/01 to 12/31/2017	**(31,447,330)**	**74,969,579**	**43,522,249**	**740**
Cancellation of treasury stock	(77,789,229)	-	(77,789,229)	-
Subscription of shares	46,341,899	74,969,579	121,311,478	740
Shares of capital stock at 12/31/2017	**2,823,483,724**	**4,650,146,149**	**7,473,629,873**	**37,145**
Residents in Brazil	2,821,665,246	2,693,462,873	5,515,128,119	27,411
Residents abroad	1,818,478	1,956,683,276	1,958,501,754	9,734
Treasury shares at 12/31/2017	-	-	-	-
Treasury shares at 12/31/2016	(26,819,000)	-	(26,819,000)	-
Shares purchased	(50,970,229)	-	(50,970,229)	-
Cancellation of treasury stock	77,789,229	-	77,789,229	-
Shares outstanding at 12/31/2017	**2,823,483,724**	**4,650,146,149**	**7,473,629,873**	**37,145**

b) Treasury Shares

In the period from January 1 to December 31, 2017, the Company purchased 50,970,229 common shares of own issue (26,819,000 from 01/01 to 12/31/2016), as authorized by the Board of Directors, either to be held in treasury, for later cancellation or replacement in the market, at the total cost of R$ 449 (R$ 204 from 01/01 to 12/31/2016) and average unit cost of R$ 8.80 (R$ 7.61 from 01/01 to 12/31/2016).

At the meetings held on February 13 and August 07, 2017, the Board of Directors resolved on the cancellation of 77,789,229 common shares of own issue held in treasury, by absorbing R$ 653 recorded in Revenue Reserves.

	Number			Amount
	Common	Preferred	Total	
Treasury Shares at 12/31/2015	**(2,155,240)**	**(2,000,000)**	**(4,155,240)**	**(33)**
Cancellation of treasury stock	2,155,240	2,000,000	4,155,240	33
Shares purchased	(26,819,000)	-	(26,819,000)	(204)
Treasury Shares at 31/12/2016	**(26,819,000)**	-	**(26,819,000)**	**(204)**
Shares purchased	(50,970,229)	-	(50,970,229)	(449)
Cancellation of treasury stock	77,789,229	-	77,789,229	653
Treasury Shares at 12/31/2017	-	-	-	-

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, amounting to R$ 0.015 per share.

I. Calculation

Net income	8,403	
(-) Legal reserve	(420)	
Dividend calculation basis	7,983	
Mandatory minimum dividend	1,996	25.00%
Proposed dividend	**6,601**	**82.69%**

II. Provision for interest on capital and dividends

	Gross	WTS	Net
Paid	**814**	**(88)**	**726**
Dividends	**224**	-	**224**
One quarterly installment of R$ 0.015 per share paid on 07/03/2017	112	-	112
One quarterly installment of R$ 0.015 per share paid on 10/02/2017	112	-	112
Interest on capital	**590**	**(88)**	**502**
One installment of R$ 0.0790 per share paid on 08/25/2017	590	(88)	502
Provided for	**1,480**	**(188)**	**1,292**
Dividends	**224**	-	**224**
One quarterly installment of R$ 0.015 per share paid on 01/02/2018	112	-	112
One quarterly installment of R$ 0.015 per share to be paid on 04/02/2018	112	-	112
Interest on capital	**1,256**	**(188)**	**1,068**
One installment of R$ 0.16806 per share to be paid on 03/07/2018	1,256	(188)	1,068
Additional (Registered in Revenue Reserves)	**5,002**	**(419)**	**4,583**
Interest on capital	**2,795**	**(419)**	**2,376**
One installment of R$ 0.37400 per share to be paid on 03/07/2018	2,795	(419)	2,376
Dividends	**2,207**	-	**2,207**
One installment of R$ 0.11025 per share to be paid on 03/07/2018	824	-	824
One installment of R$ 0.18500 per share to be paid on 04/05/2018	1,383	-	1,383
Total at 12/31/2017 - R$ 0.8832 net per share	**7,296**	**(695)**	**6,601**
Total at 12/31/2016 - R$ 0.5044 net per share	**4,315**	**(581)**	**3,734**

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.

	12/31/2017	12/31/2016
Revenue reserves	**16,556**	**12,370**
Legal	1,374	954
Statutory	15,182	11,416
Dividend equalization	5,718	5,402
Working capital increases	1,594	2,110
Increases in the capital of investees	2,868	2,662
Proposal for distribution of additional dividends (*)	5,002	1,242
Capital reserves	**719**	**707**
Total reserves at parent company	**17,275**	**13,077**

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

Details of reserves	Capital reserves	Revenue reserves		Total reserves
		Legal reserve	Statutory reserves	
Balance at 12/31/2016	**707**	**954**	**11,416**	**13,077**
Recognition of reserves	-	420	687	**1,107**
Cancellation of treasury stock	-	-	(653)	**(653)**
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)**
Goodwill on issue of shares	1	-	-	**1**
Transactions with subsidiaries and jointly controlled companies	11	-	(28)	**(17)**
Balance at 12/31/2017	**719**	**1,374**	**15,182**	**17,275**

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 19 – 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
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
Exercise price at the grant date	11.82	15.34	9.86	16.33	13.02	10.21	14.45	11.44	5.74
Fair value at the grant date	8.88	7.26	3.98	7.04	5.11	5.69	6.54	4.48	4.00
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
Vesting period	1.5 years	1.5 years	3 years	3 years	3.5 years	3.8 years	3.9 years	3.10 years	3.9 years

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

	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%	96.63%

(1) IGP-M coupon

The Company carries out the settlement of this benefit by delivering its own shares held in treasury up to the date of effective exercise of the options by the executives. In 2015 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		Option price	Total amount	Periods				Other periods
					12/31/2016	12/31/2017			Due	2007 to 2015	2016	2017	
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	1,294,078	-	8.88	-	25	25	-	-	-
02/13/2008	2,678,887	06/30/2009 to	12/31/2018	15.34	1,340,260	1,132,434	7.26	19	-	19	-	-	-
06/30/2009	2,517,937	06/30/2012 to	12/31/2017	9.86	839,525	-	3.98	-	9	9	-	-	-
04/14/2010	1,333,914	12/31/2013 to	12/31/2018	16.33	808,763	685,019	7.04	9	-	9	-	-	-
06/29/2011	1,875,322	12/31/2014 to	12/31/2019	13.02	1,523,797	1,227,778	5.11	9	-	9	-	-	-
04/09/2012	1,290,994	12/31/2015 to	12/31/2020	10.21	780,997	658,552	5.69	6	-	7	-	-	-
04/17/2013	1,561,061	12/31/2016 to	12/31/2021	14.45	1,222,907	1,025,843	6.54	8	-	7	2	-	-
02/11/2014	1,966,869	12/31/2017 to	12/31/2022	11.44	2,144,813	1,872,257	4.48	9	-	4	2	2	-
03/09/2016	1,002,550	12/31/2019 to	12/31/2024	5.74	1,002,550	990,050	4.00	6	-	-	1	1	3
Sum	**19,673,748**				**10,957,690**	**7,591,933**		**66**	**35**	**90**	**5**	**3**	**3**
Exercise effectiveness								**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**	**96.63%**
Computed value								**64**	**34**	**86** (1)	**5** (2)	**3** (3)	**3** (4)

(1) Amount charged to income from 2007 to 2015.
(2) Amount charged to income in 2016.
(3) Amount charged to income in 2017.
(4) Value charged to income in other periods.

At December 31, 2017, Duratex S.A. had 2,478,659 treasury shares, which might be used in a possible option exercise.

NOTE 20 – NET SALES REVENUE OF PRODUCTS AND SERVICES

	01/01 to 12/31/2017	01/01 to 12/31/2016
Gross revenue from sales of products and services	**6,247**	**5,866**
Domestic market	5,457	5,005
Foreign market	790	861
Taxes and contributions on sales	(1,278)	(1,179)
Net revenue from sales of products and services	**4,969**	**4,687**

NOTE 21 – EXPENSES, BY NATURE

	01/01 to 12/31/2017	01/01 to 12/31/2016
Variation in fair value of biological assets	215	158
Variations in the inventories of finished products and work in process	171	358
Raw materials and consumption materials	(2,628)	(2,677)
Remuneration, charges and benefits to employees	(999)	(956)
Depreciation, amortization and depletion	(549)	(607)
Transport expenses	(314)	(321)
Advertising expenses	(177)	(145)
Other expenses	(401)	(387)
Total	**(4,682)**	**(4,577)**

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

	01/01 to 12/31/2017	01/01 to 12/31/2016
Cost of products and services	(3,674)	(3,641)
Sales expenses	(686)	(629)
General and administrative expenses	(322)	(307)
Total	**(4,682)**	**(4,577)**

NOTE 22 – OTHER (LOSSES)/GAINS, NET

	01/01 to 12/31/2017	01/01 to 12/31/2016
Provision for contingencies - reversal (*)	(245)	(24)
Write-off of surplus of pension plan	6	14
Amortization of intangible assets	(34)	(31)
Options granted and recognized	(5)	(5)
Losses on sales of other investments and fixed assets	58	84
PIS and COFINS credits on acquisitions of raw materials	15	20
Rental revenue	9	10
Gain from a bargain purchase on acquisition Nexoleum S.A.	-	5
Decommissioning of Product Lines	-	(62)
Allowance for loan losses	-	(22)
Impairment of fixed and intangible assets	(51)	(155)
IPI Bonus Credit (Note 17a)	38	-
Dividends and interest on capital - NTS (Note 5)	175	-
Adherence to the Special Tax Regularization Program (Brazilian acronym "PERT")	37	-
Prodep-Reintegra credits	13	5
Tax credit - sucess in legal process	15	1
Other	18	(11)
Total	**49**	**(171)**

(*) It includes the provision for fines on suspended liabilities in the amount of R$163."

NOTE 23 – FINANCIAL RESULT

	01/01 to 12/31/2017	01/01 to 12/31/2016
Financial income		
Remuneration on financial investments	245	301
Foreign exchange variations	31	7
Indexation adjustment	39	49
Interest and discount obtained	56	14
Other	4	14
Total	**375**	**385**
Financial expenses		
Charges on financing	(359)	(106)
Foreign exchange variations	(47)	(28)
Indexation adjustment	(83)	(91)
Derivatives	(52)	(312)
Bank charges	(16)	(10)
Tax on financial operations	(7)	(1)
Other	(37)	(28)
Total	**(601)**	**(576)**
Total financial result	**(226)**	**(191)**

NOTE 24 – 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 12/31/2017	01/01 to 12/31/2016
Net income	**8,403**	**8,211**
Minimum non-cumulative dividend on preferred shares in accordance with bylaws	(46)	(46)
Subtotal	**8,357**	**8,165**
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(28)	(28)
Subtotal	**8,329**	**8,137**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis		
To common equity owners	3,158	3,117
To preferred equity owners	5,171	5,020
Total net income available to common equity owners	**3,186**	**3,145**
Total net income available to preferred equity owners	**5,217**	**5,066**
Weighted average number of shares outstanding		
Common shares	2,825,107,353	2,841,521,554
Preferred shares	4,625,156,289	4,575,176,570
Earnings per share – basic and diluted - R$		
Common shares	1.13	1.11
Preferred shares	1.13	1.11

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

NOTE 25 – BUSINESS COMBINATION

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

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

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

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

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

	12/31/2016	Amortization/ Realization	12/31/2017
Intangible assets subject to amortization			
Customer relationships	27	(4)	23
Exclusive access to retail customers and real estate brokers	37	(15)	22
Others	1	-	1
Total intangible assets subject to amortization (I)	**65**	**(19)**	**46**
Intangible assets not subject to amortization			
Hipercard brand	2	-	2
Itaú brand	65	-	65
Total intangible assets not subject to amortization (II)	**67**	-	**67**
Total allocated to intangible assets (III = I + II)	**132**	**(19)**	**113**
Deferred tax liability (IV)	**(53)**	**8**	**(45)**
Total goodwill allocated (V = III + IV)	**79**	**(11)**	**68**
Goodwill	**437**	-	**437**

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

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

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

NOTE 26 – 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 8,736 participants at December 31, 2017 (8,940 at December 31, 2016).

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 8a) is R$ 123 (R$ 117 at December 31, 2016). The amount of R$ 6 was recognized in the results (The expense of R$ 2 was recorded in result at December 31, 2016).

(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, 2017, Other Financial Assets (Note 8a) recorded in the balance sheet amounted to R$ 9 (R$ 14 at December 31, 2016), payable in eighteen (18) monthly installments.

Main assumption used

	12/31/2017	12/31/2016
Discount rate	9.75% p.a.	11.14% p.a.
Mortality table (1)	AT-2000	AT-2000
Turnover	Null	Null
Future salary growth	6.62 % p.a.	7.23 % p.a.
Growth of the pension benefit /plans	4.25 % p.a.	4.85 % p.a.
Inflation	4.25 % p.a.	4.85 % p.a.

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

NOTE 27 – 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, Elekeiroz, Alpargatas, and Nova Transportadora do Sudeste - NTS, which operate in non-financial sector, and Itaú Unibanco Holding, a financial sector company.

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

- **Financial Sector**

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

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

The complete financial statements of Itaú Unibanco Holding for the period from January 1, 2017, to December 31, 2017, 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 and electronic showers, with the Deca and Hydra brands, which are distinguished by their wide range of products, bold design, and superior quality. Duratex also produces wood panels from pine and eucalyptus, largely used in the manufacture of furniture, mainly fiberboard, chipboard and medium, high and super-density fiberboards, better known as MDF, HDF and SDF, from which laminated flooring (Durafloor) and ceiling and wall coatings are manufactured.

III) Nova Transportadora do Sudeste - NTS: it is engaged in the transportation of gas, through gas pipelines, to distribution companies and thermal power plants in the states of São Paulo, Rio de Janeiro and Minas Gerais, a region accounting for a large part of Brazil's GDP. ITAÚSA invests in NTS together with other shareholders, and this investment is accounted for as a Financial Asset, in conformity with CPC 38.

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

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	NTS	Elekeiroz	ITAÚSA
Total assets	**2017**	**1,434,969**	**3,853**	**9,465**	**10,024**	**458**	**65,580**
	2016	1,353,241	3,782	9,341	n.d	434	59,020
Operating revenues [1]	**2017**	**189,625**	**3,722**	**3,991**	**4,112**	**979**	**13,532**
	2016	208,274	4,054	3,910	n.d	771	13,266
Net income	**2017**	**23,903**	**362**	**185**	**1,809**	**48**	**8,403**
	2016	23,263	362	24	n.d	(344)	8,211
Stockholders' equity	**2017**	**134,840**	**2,186**	**4,715**	**3,943**	**151**	**53,229**
	2016	122,582	1,976	4,570	n.d	111	47,729
Annualized return on average equity (%) [2]	**2017**	**19.7%**	**17.1%**	**4.0%**	**45.1%**	**38.0%**	**16.8%**
	2016	20.1%	18.9%	0.5%	n.d	-93.0%	17.7%
Internal fund generation [3]	**2017**	**83,366**	**478**	**1,014**	**2,781**	**86**	**1,187**
	2016	97,507	515	932	n.d	(24)	891

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

- *Itaú Unibanco Holding: interest and similar income, dividend income, net gain (loss) from investment securities and derivatives, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.*
- *Alpargatas, Duratex, NTS and Elekeiroz: sales of products.*

(2) Represents the ratio of net income for the year and the average equity (Dec16 + Mar + Jun + Sep + Dec) / 5.

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

NOTE 28 – 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)	
	12/31/2017	12/31/2016	01/01 to 12/31/2017	01/01 to 12/31/2016
Financial investments	**37**	**126**	**2**	**15**
Itaú Unibanco S.A.	37	126	2	15
Customers	**35**	**37**	**100**	**190**
Other Related Parties (*)	35	37	100	190
Banking service fees	**-**	**-**	**(7)**	**(6)**
Itaú Corretora S.A.	-	-	(2)	(2)
Itaú Unibanco S.A.	-	-	(1)	(4)
Itaú Seguros	-	-	(1)	-
Itaú BBA	-	-	(3)	-
Total	**72**	**163**	**95**	**199**

(*) 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.

In addition to the aforementioned operations, ITAÚSA and non-consolidated related parties, as an integral part of agreement for the apportionment of common costs, recorded in "General and administrative expenses", the amount of R$ 1 (R$ 4 from January 1 to December 31, 2016) due to the use of a common shared-structure.

As at December 31, 2017 and 2016, it was not necessary to make an allowance for doubtful accounts.

b) Guarantees provided

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

	12/31/2017	12/31/2016
Duratex S.A.	104	211
Elekeiroz S.A.	102	138
Itautec S.A.	4	19
Total	**210**	**368**

c) Compensation of key personnel

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

	01/01 to 12/31/2017	01/01 to 12/31/2016
Compensation	37	33
Profit sharing	25	10
Stock options	4	5
Total	**66**	**48**

NOTE 29 – MANAGEMENT OF FINANCIAL RISKS

I – Financial risk factors

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

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

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

At the reporting date, ITAÚSA had cash and cash equivalents amounting to R$ 71 (R$ 666 at December 31, 2016), 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	
	12/31/2017	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	-	-

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

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

Sensitivity analysis

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

For the risk variable rates used in the Probable Scenario, B3 / Bloomberg quotations were used for the respective maturity dates.

Risk	Instrument/Operation	Description	Probable Scenario	Possible Scenario	Remote Scenario
Foreign exchange	Swap - US$ / CDI (Res. 4131)	Drop - US$	(8)	(172)	(335)
	Hedged item: debt in foreign currency (US$)	(Increase US$)	8	172	335
	NDF (US$)	Drop - US$	-	26	51
	Hedged item: debt in foreign currency (US$)	(Increase US$)	-	(26)	(51)
	Exports receivable	(Drop - US$)	-	(5)	(10)
		Increase - US$	-	5	10
	BNDES – revolving credit	Drop - US$	(1)	2	4
		(Increase US$)	-	(2)	(4)
	Foreign suppliers (-) Hedge	Drop - US$	-	4	8
		(Increase US$)	-	(4)	(8)
Total			**(1)**	-	-

(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:

12/31/2017	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**

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

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	12/31/2017	12/31/2016
Assets [1]		**4,806**	**5,119**
Cash and cash equivalents	1	84	50
Cash and cash equivalents	2	1,134	2,384
Subordinated financial bills	2	-	61
Financial treasury bills	1	52	249
Available-For-Sale Financial Assets	3	943	-
Held-To-Maturity Financial Assets	2	444	-
Trade accounts receivable	2	1,091	934
Dividends and interest on capital	2	630	1,004
Deposits as guarantees for contingent liabilities	2	99	99
Other assets	2	329	338
Liabilities:		**6,775**	**6,077**
Loans, financing and debentures	2	4,756	3,712
Suppliers / other expenses	2	642	333
Dividends and interest on capital	2	1,377	2,032

(1) The fair values of interests in unconsolidated joint ventures are reported in note 10 IIa.

NOTE 30 – SUBSEQUENT EVENTS

a) Disposal of facilities and equipment aimed at the production of thin wood fiberboards

At January 31, 2018, Duratex informed its shareholders and the market at large that it had accepted, on its behalf or through its affiliates, a Binding Proposal from the Eucatex Group in connection with the purchase of facilities and equipment aimed at the production of thin wood fiberboards.

Duratex's acceptance of the Binding Proposal will not have material effects on its results or previously entered into agreements.

According to legislation in force, the completion of this operation is conditioned on approval from the Brazilian anti-trust agency (CADE). Until this operation is approved, these lines will continue to be managed in the usual production pace by Duratex.

b) Disposal of land and forests

On February 5, 2018, Duratex informed its shareholders and the market at large that it had celebrated with Suzano Papel e Celulose an Agreement for the Purchase and Sale of Forest Assets, Promissory Purchase and Sale of Rural Properties, Option to Purchase and Other Covenants, with Suspensive Clause ("Operation"), in connection with the disposal of land and forests to be carried out by Duratex itself or through its affiliates.

This operation provides for the sale of land and forests in the central region of the state of São Paulo and is structured in two (2) stages, as follows:

(i) the firm sale of approximately nine thousand five hundred (9,500) hectares of rural land and forest assets included therein, in the amount of R$ 308. This stage should result in the recognition of extraordinary profit of approximately R$ 140 when the operation is carried out.

(ii) Exclusive option granted to Suzano, at defined prices, to purchase another lot of land of approximately twenty thousand (20,000) hectares of rural land and forest assets included therein, to be exercised up to July 2, 2018, totaling R$ 749. If this option is exercised, Duratex should recognized extraordinary profit of approximately R$ 360 when the operation is carried out.

The completion of this operation is subject to certain usual conditions for this type of transaction, including obtaining approval from the Brazilian anti-trust agency (CADE).

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

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

Opinion

We have audited the individual and consolidated financial statements of **Itaúsa - Investimentos Itaú S.A. (the Company)**, identified as parent company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2017 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **Itaúsa - Investimentos Itaú S.A.** as at December 31, 2017, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

Our audit in 2017 was planned and executed considering that the Company's operations did not have significant changes in relation to the previous year. In this context, the Key Audit Matters, as well as our audit approach, remained in line with those from the previous year, except for the inclusion of matters related to the Acquisition of the shared control of Alpargatas S.A., for referring to a strategic business event of the current year.

Investment in Jointly Controlled Company- Itaú Unibanco Holding S.A.	Audit response
The joint investment in Itaú Unibanco Holding S.A. (“IUH”) represents 76% of the total consolidated assets of the Company. The investment is audited by other independent auditors ("auditor of IUH") and we have conducted the group audit focusing on the evaluation of the key audit matters raised by the auditor of IUH when performing their work. We have read and critically evaluated this reasonable assurance engagement to obtain comfort on the work of the auditor of IUH. IUH is financial holding that operates in several bank service types, as well as in the areas of insurance, social security and capitalization. IUH has a significant volume of operations in all these areas and, as a result, is highly dependent on its IT environment for processing these operations. Additionally, the financial statements of IUH include critical accounting estimates on operations that require high level of judgment in the determination of the account balances. These critical accounting estimates raised by the auditor of IUH as key audit matters are: ▪ Allowance for doubtful accounts; ▪ Financial instruments and derivatives – level 3; ▪ Tax credits; ▪ Goodwill; ▪ Provision for contingent liabilities. In view of that, we understand that the evaluation of the auditor of IUH on the IT environment, as well as the critical accounting estimates, are a key area of IUH audit.	The audit procedures followed by the auditor of IUH in respect of the critical accounting estimates included communication with other auditors of the investees and experts, in order to discuss the identified audit risks, the focus, scope and time of the work. We have reviewed their working papers and discussed their results. As for the identified key audit matters, we have discussed them with the auditor of IUH and with the Company’s Management and evaluated their impact on the financial statements. As for the IT environment, we considered the review of the working papers and the conclusions regarding: ▪ Review of the evaluation of the IT environment, including automatized controls of the application systems relevant for the preparation of the financial statements; and ▪ Review of the procedures followed to evaluate if they involved the combination of relevant control tests and, when necessary, compensating control tests and the conduction of detailed tests on certain aspects of information security, including the management of accesses and segregation of duties. As for the critical accounting estimates raised as key audit matters by the auditor of IUH, we have considered the review of their working papers and the conclusions regarding: ▪ Tests conducted on the design and operation of the controls over the record, measurement, write-off and disclosure of the operations; ▪ Analyses, when applicable, of the reasonableness of certain assumptions and judgment applied by the management of IUH, as well as checking the integrity and totality of the data bases and calculation models involved in the determination of the balances; ▪ Review of the detailed tests related to the existence, correct value, integrity and record at the proper time of the operations, along with the experts.

Investment in Jointly Controlled Company Itaú Unibanco Holding S.A. (continued)	Audit response (continued)
	We have considered that the evaluation of the criteria and assumptions adopted by management for the determination of these critical estimates produce values that are within ranges acceptable in accordance with Brazilian accounting practices and the IFRS issued by IASB. Additionally, the combination of the tests of controls and other detailed tests conducted by the auditor of IUH allowed them to establish an adequate level of reliability on the IT environment for the purpose of our audit of the Company. Our examinations did not identify relevant exceptions to the judgements and assumptions used by the Company's Management so that the amounts and information disclosed in the financial information are correct.

Investment in controlled company Duratex S.A.	Audit response
The investment in controlled company Duratex S.A. (“Duratex”) represents 3% of total assets in the individual financial statements of the Company. Duratex is the subsidiary that represents the largest individual company included in consolidation and it is audited by other independent auditors ("auditor of Duratex"). We have conducted the Group audit focusing on the evaluation of the key audit matters raised by the auditor of Duratex when performing their work. We have read and critically evaluated this reasonable assurance engagement to obtain comfort on the work of the auditor of Duratex. The financial statements of Duratex include critical accounting estimates on operations that require high level of judgment in the determination of the account balances. These critical accounting estimates raised by the auditor of Duratex as key audit matters are: ▪ Recoverable value of intangible assets – Goodwill; ▪ Measurement of the fair value of biological assets; and ▪ Realization of tax credits. Due to the inherent uncertainties of this type of estimate, we understand that the evaluation of the auditor of Duratex on these critical accounting estimates is adequate and a key area of Duratex audit.	The audit procedures followed by the auditor of Duratex in respect of the critical accounting estimates included communication with other auditors of the investees and experts, in order to discuss the identified audit risks, the focus, scope and time of the work. We have reviewed their working papers and discussed their results. As for the identified key audit matters, we have discussed them with the auditor of Duratex and evaluated their impact on the Company’s financial statements. As for the critical accounting estimates raised as key audit matters by the auditor of Duratex, we have considered the review of their working papers and the conclusions regarding: ▪ Review of the performed work and the conclusions of their experts regarding the evaluation of the assumptions and methodology applied by the management of Duratex; and ▪ Review of the disclosures on the individual and consolidated financial statements of the Company, whether they are in accordance with Brazilian accounting practices and the IFRS issued by IASB. After the adoption of these procedures, we considered that the assumptions and methodologies used regarding the accounting estimates are adequate to reduce the associated risks of material misstatement on the financial statements, conducted by the auditor of Duratex. Our examinations did not identify relevant exceptions to the judgments and assumptions used by Duratex’s Management so that the amounts and information disclosed in the financial information are correct.

Investments in Jointly Controlled Company – Alpargatas S.A.

On September 20, 2017, the Company acquired shared control of Alpargatas, along with Brasil Warrant Administração de Bens e Empresas S.A. and Cambuhy Investimentos Ltda.

Alpargatas is a publicly held company engaged in manufacturing and selling shoes, clothing, textile artifacts, leather, resin and rubber products and sporting goods.

This matter was considered the main point in our audit for representing a strategic business event for the Company.

Audit response

Our audit procedures included, among others, the evaluation of the correct accounting of the acquired shares of Alpargatas by means of: review of the supporting documentation – specially purchase and sale contracts – and of the related financial transactions. Additionally, we have evaluated the disclosure of operations on the individual and consolidated financial statements of the Company and the calculation of equity balances.

Our examinations did not identify relevant exceptions to the judgments and assumptions used by the Company's Management so that the amounts and information disclosed in the financial information are correct.

Other matters

Statement of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's management for the year ended December 31, 2017, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and its controlled companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and its controlled companies’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and its controlled companies to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings. When identified during our work, we also inform the significant deficiencies in internal control

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

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

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

São Paulo, February 19, 2018.

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

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

Independent Auditor's Report

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

Opinion

We have audited the accompanying parent company financial statements of Itaúsa - Investimentos Itaú S.A. ("Company"), which comprise the balance sheet as at December 31, 2017 and the 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, 2017 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, 2017, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Consolidated financial statements

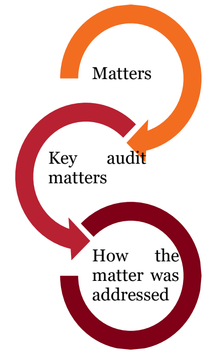
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and its subsidiaries as at December 31, 2017, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current fiscal year. Itaúsa - Investimentos Itaú S.A. is engaged in holding activities and, therefore, the key audit matters for the year ended December 31, 2017 arise from investments made in subsidiaries and jointly-controlled subsidiaries, as presented below. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit in 2017 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 inclusion of the matter related to the joint acquisition of control of Alpargatas, since it refers to a strategic event of the current fiscal year.

Key audit matters	How the matter was addressed in the audit
Jointly-controlled subsidiary – Itaú Unibanco Holding S.A. ("IUH") – (Note 10)	
The jointly-controlled investment in IUH represents 76% 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 assessed 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: • allowance for loan and lease losses; • measurement of the fair value of financial instruments and derivatives - level 3; • deferred tax assets; • realization of goodwill and intangible assets; • provision for contingent liabilities. Therefore, we understand that such critical accounting estimates, as well as the information technology environment, require an audit focus.	The procedures we performed were comprised of a combination of relevant control tests and, when necessary, tests of compensating controls and performance of tests of details on certain aspects related to the information security, including access management and segregation of duties. The combination of the tests of controls with other tests of details produced sufficient audit evidence to allow us to conclude that the IUH's systems are operating appropriately. - In relation to the critical accounting estimates: Understanding and tests of the main controls used to measure, record, write-off and disclosure the operations. With the support of our specialists, we analyzed, when applicable, the reasonableness of selected assumptions and judgements applied by IUH's management. We also tested the integrity and completeness of the databases and the models involved in the calculation of the balances.

Key audit matters	How the matter was addressed in the audit
	We performed tests of details to assess existence, correct amount, integrity, and timely recording of the operations; also, we performed external confirmation procedures with lawyers of IUH to confirm the probability of loss on the judicial proceedings. We consider that the criteria and assumptions adopted by management to determine these critical estimates lead to amounts that remain within the acceptable intervals in relation to the accounting practices.
Investment in the subsidiary Duratex S.A. (Note 10)	
The investment in the subsidiary Duratex S.A. represents 3% of the total assets disclosed in the Company's individual financial statements. This subsidiary is the largest individual company included in the consolidation process. Duratex's financial statements disclose critical accounting estimates related to operations that require a high level of judgment when measuring and recording the account balances. We understand that these critical accounting estimates are: • recoverability of intangible assets - Goodwill; • measurement of the fair value of biological assets; and • estimation for the realization of deferred tax assets. Due to the uncertainties inherent to this type of estimate, we consider this an area of focus in the audit of the financial statements of Itaúsa – Investimentos Itaú S.A.	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, as well as, the controls established over the revenue recognition are reasonable and mitigate risks of material misstatements.
Investment in the Jointly-controlled subsidiary – Alpargatas S.A. (Note 10 I(a))	
During the current year, the Company jointly announced with Brasil Warrant Gestão de Assets e Empresas S.A. and Cambuhy Investimentos Ltda. the acquisition of control of Alpargatas S.A. After the conclusion of the transaction, which occurred on September 20, 2017, the Company jointly-controls Alpargatas S.A. Alpargatas is a listed company engaged in the manufacture and sale of footwear; clothing articles; textile artifacts; leather, resin and rubber articles and sporting goods. This matter was considered as a focus in our audit for representing a strategic event for the Company.	Our auditing procedures included, among other things, an examination of the correct accounting of the purchase of Alpargatas S.A. shares through review of the supporting documentation, in particular the purchase and sale agreement and the settlement of the transaction. Additionally, we examined the disclosures of operations in the Company's financial statements and the calculation of the equity accounting balances. The results of our audit procedures are consistent with disclosures in explanatory notes.

Other matters

Supplementary information - Statements of Value Added

The parent company and consolidated statements of value added for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09, "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and are consistent with the financial statements taken as a whole.

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

São Paulo, February 19, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

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

OPINION OF THE FISCAL COUNCIL

The members of Fiscal Council of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.** (Itaúsa) have proceeded to examine the management report and the financial statements for the December 31, 2017, which were reviewed by BDO RCS Auditors Independents S/S (BDO) as independent auditors, pursuant to the statutory requirements including those relating to the regulations issued by the Brazilian Securities and Exchange Commission. Pursuant to the practices of Corporate Governance, these account statements have also been reviewed by PricewaterhouseCoopers Auditors Independents (PwC), as Conglomerate’s independent auditor, including of the controlling company of Itaúsa. Both the independent auditors issued unqualified reports.

The Fiscal Councilors have verified the exactness of the elements examined and in the light of the opinions of BDO and PwC mentioned above, understand that these documents adequately reflect the equity situation, the financial position and the activities of Itaúsa in the period. São Paulo (SP), February 19, 2018. (signed) Tereza Cristina Grossi Togni – President; Flavio Cesar Maia Luz, José Maria Rabelo and Paulo Ricardo Moraes Amaral – Councilors.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

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

SUMMARIZED MINUTES OF THE MEETING OF THE BOARD OF EXECUTIVE OFFICERS
OFFICERS HELD ON FEBRUARY 19, 2018

DATE, TIME AND PLACE: on February 19, 2018, at 8:00 am, at Praça Alfredo Egydio de Souza Aranha, 100, Torre Olavo Setubal, 9th floor, in the city and state of São Paulo.

CHAIR: Alfredo Egydio Setubal, CEO.

QUORUM: the totality of the elected members.

RESOLUTIONS ADOPTED: ollowing due examination of the account statements for the fiscal year ending December 31, 2017, which were favorably recommended by the Finance Commission, the Board unanimously resolved:

a) to declare, in attendance with the statutory requeriments 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:
   (i) it has reviewed, discussed and agrees with the opinion expressed in the report issued by BDO RCS Auditores Independentes S/S as independent auditors, pursuant to the statutory requirements including those relating to the regulations issued by the Brazilian Securities and Exchange Commission. Pursuant to the practices of Corporate Governance, these financial statements have also been reviewed by PricewaterhouseCoopers Auditores Independentes, as Conglomerate's independent auditor, including of the controlling company of Itaúsa. Both the independent auditors issued unqualified reports; and
   (ii) it has reviewed, discussed and agrees with the financial statements for the fiscal year ending December 31, 2017.

b) to propose to the Board of Directors the following allocation of net income to the fiscal year 2017, in the amount of R$ 8,402,636,011.87:

(-) Legal Reserve	R$	420,131,800.59
(-) Dividends / Interest on Capital	R$	7,296,968,565.18
(-) Statutory Reserves:		
Dividend Equalization	R$	342,767,823.05
Working Capital Increase	R$	137,107,129.22
Increase in Capital of Investees	R$	205,660,693.83

CONCLUSION: there being no further matters on the agenda and no members wishing to raise any further matters, the meeting was declared closed and these minutes were drafted, read, approved and signed by all. São Paulo (SP), February 19, 2018. (signed) Alfredo Egydio Setubal – CEO; Roberto Egydio Setubal and Rodolfo Villela Marino – Executive Vice-Presidents.

ALFREDO EGYDIO SETUBAL
Investor Relations Officer