



**International Conference Call
Itaúsa – Investimentos Itaú S/A
First Semester 2018 Earnings Results
August 15th, 2018**

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to ITAÚSA's conference call to discuss the First Half of 2018 results.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

Should you require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded. The file will be available at the Company's website at www.itausa.com.br/en, at the Investor Relations section. During the conference call you can send questions that will be answered after the presentation.

This conference call and a slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.itausa.com.br/en.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today we have:

- Mr. Alfredo Egydio Setubal - CEO and Investor Relations Officer at Itaúsa;
- Mr. Henri Penchas – Chairman of the Board of Director at Itaúsa;
- Mrs. Priscila Grecco Toledo – CFO at Itaúsa;
- Mr. Bruno Brasil - Investor Relations Manager at Itaúsa;
- Mr. Geraldo Soares – Investor Relations Superintendent at Itaú Unibanco;
- Mr. Guilherme Setubal – Investor Relations Executive Manager at Duratex;
- And Mr. Carlos Biehl – Investor Relations Manager at Alpargatas.

If you have a question, press start one on your phone to enter the waiting line. Participants connected via webcast can also send questions.

It is now my pleasure to turn the call over to Mr. Alfredo.



Mr. Alfredo Setubal: Thank you, good morning for those who are in the US, good afternoon for those who are in Europe.

We are starting our conference call, we are on page 3 for those who are following through the Internet, we are going to cover the highlights, very short highlights from the subsidiaries, then from Itaúsa and then we will open for Q&A section of this conference call.

On page 4 we see the subsidiaries, Itaú, Duratex and Alpargatas. On page 5 we highlight some points of Itaú Unibanco, the first highlight is the growth of loans portfolio, 4.3, mainly because of the individuals credit, the demand is better, so we are growing especially in this segment, and in the case of corporation and middle market the demand is not so high, so we continue to reduce the portfolio, and the good news under the default indicators NPL continues to be the trend to reduce the numbers.

In the digital agenda, that is very important for the future of the bank, we highlight here what we did in the mobile payment system. Itaú was the first of bank to offer the Apple Pay and we followed by offering also be Samsung Pay for our customers. Of course, there are many other initiatives during the period, especially in the apps, but we highlight these for the mobile payment system.

We now have the permanent operation of the Fiscal Council approved by the last shareholders' meeting, so now it's permanent, and we had the approval of XP by the Central Bank. The Central Bank changed a lot the initial deal, imposed many restrictions that was approved by the CADE, the antitrust authority, but the Central Bank imposed new restrictions for the deal, but anyway, we decided to continue with this investment even though with all these restrictions.

In terms of highlights also, we have the net income and recurrent ROE, the ROE continued to be around 20% annualized, what is a good number due to the conditions of the economy in Brazil, especially in the low demand for credit, especially for companies. The results for the second quarter was R\$5.8 billion in terms of recurrence net income, and for the first semester a 12.1, in line with the first semester of last year, but a bit below of 2,1%.

Just remembering these numbers are and international standards, these numbers differ a little of the numbers that the bank released when it showed the number for the second quarter and first semester, these numbers are in international standard.

Another highlight is the commissions and fees revenues from insurance, for severances, pension plans, premiums, that increased 5.2% in the quarter and 4.6 in the last 12 months, what is a good trend and in line with the strategy of the bank to increase noncredit revenues, a strategy that we adopted in the last years and will continue in the coming years.

On page 6 some highlights from Duratex. The first is the Joint Venture that Duratex announced with Lenzing, an Austrian company, leader in the cellulose fibers, and we

announced to create a [0:07:34 unintelligible] with bulk plant in the state of Minas Gerais, Duratex will hold 49% of this new company, Lenzing 51%, and the total investment for the 2 companies in the new Co will be around US\$1 billion and we will probably start that in the second semester of next year after all these studies and the final approval from both parties.

Duratex also sold a land in forest to Suzano, this land in forest are over what we need in terms of production for panels, so we sold the excess of forest and land that we had here in the state of São Paulo to Suzano. Suzano also exercised the option to buy land in July the second tranche of this sale, so we are going to have in the second half of the year a net income impact in the result of Duratex of R\$360 million.

Ceusa, is the tile production company that we bought last year and started to operate this year, we announced an investment of R\$94 million to increase by 83% the capacity of the company. The company was operating in full capacity, so we announced this investment that will probably be complete in the third quarter of 2019, so the company Ceusa will have capacity to improve the production and increase its market share.

Another highlight is the Antitrust Authority approved the deal with Eucatex, the swap of the factory of Botucatu of hard boards, and Eucatex will swap its factory with land and forest for Duratex. So these are the 4 major announcements of the period.

Duratex also increased net income and ROE mainly impacted by the sale of the land for Suzano, and these sales, the objective of those sales is to reduce the net debt of the company that was 2.9 times at the end of June of 2017, and we expect this year to end below 2 and by the next year around 1 time the Ebitda and debt. So the company is restructuring its debt.

Going to page 7 we see Alparagatas. I think the highlight of the period we put 3 years, we elected in the last several meetings 2 independent members of the Board of Directors and also they will participate in some of the communities that we created during the first quarter of 2017. The company is analyzing alternatives, we hired external consulting to discuss more about the strategy here in Brazil and also internationally.

The results for this second quarter was a reduction when we compare to second quarter of 2017, and the same for the first semester. In the first semester of 2017 we had a nonrecurrent result due to a reversion on the taxes that the company was provisioned, but nothing to pay for the first semester of that year had this huge impact that is the main reason when we analyze the results.

And the company continues to generate good Ebitda, so we continue to grow the numbers and continue its positive the quarter dividends.

On page 8 we have some numbers from NTS. NTS is the gas distribution company that we have a stake, the company renegotiated the debenture so Itaúsa was the creditor of this debenture, we received 442 million and the company reduced the cost

of capital under the new management to reduce the cost of the debt. So Itaúsa received 442 million, the company increased a little the results by 11%, R\$935 million, and the company continues to pay most of the profits in dividends and we received during this period, first semester, R\$91 million in dividends on capital.

Now we go to page 10, where we can see the many events and numbers from Itaúsa itself. The highlights for the periods in terms of Itaúsa was the capital call of R\$1.4 billion, everything subscribed by the shareholders in a private capitalization, a bonus share of 10% only in preferred shares, so all the shareholders receive preferred shares, we made a buyback of 2.5 million shares in June at a price of R\$9,07 for the shares, and important sale of Elekeiroz when we leased the chemical sector and we sold all the shares that the company had at Elekeiroz for HIG private equity funds, and Itaúsa already received R\$30 million for that sale, and we have earnout according to some parameters and some metrics that the company Elekeiroz if performs in the coming years Itaúsa will receive complimentary amounts for this sale.

On page 11 we have some numbers from Itaúsa – always remember the numbers are under international standards accounting. Net income for the first half of the year R\$4.447 billion with an increase of almost 8% when we compare to the first semester of 2017, and a recurrent net income of 4.3 billion with an increase of 1.1%. The return on the average equity annualized 17.6, a little bit superior from the 17.4% of the first half of last year.

On page 12 we can see the total assets of Itaúsa, R\$55 billion, 52 billion related to the investments that we have in our subsidiaries mainly, then 90.7% is related to the participation in the financial sector through Itaú Unibanco Holding, 8.7 from nonfinancial sectors, mainly Duratex and Alpargatas.

On page 13 we see the dividends and interest on capital. Itaúsa announced the complementary dividends that we are going to pay in August and we continue to pay the same amount for the shareholders in 2018 that we received from the Itaú Unibanco Holding, and we retain the dividends from the other companies to serve the day-to-day business of Itaúsa and to recover cash position that Itaúsa has for future investments or paying dividends or to new investments.

On page 14 the capital composition. Itaúsa [0:19:02 inaudible - background noise], capitalized, the liability that we have is mainly dividends and interests to pay to shareholders that are already provisioned, debentures that we issued to buy the participation in NTS, 1.2 billion, and you can see on the right side of the table the amortization of these debentures will be in 2022, 2023 and 2024 the years for amortization of these debts, and also provisions that we have for fiscal discussions that we have in justice against the bank authority here in Brazil.

On page 15 we have the market value of the portfolio of Itaúsa. The total portfolio of all these participations that we have amount of R\$102 billion, the market value of Itaúsa is R\$77 million, what means that the share is trading at a discount of 24.3% as we have a good policy of buybacks and dividends, we can see that Itaúsa has a good payout for the shareholders. We are going to see that in the coming slides.



On page 16 we put 4 competitive edges of Itaúsa. The first that we put here is in terms of financials, Itaú's has a very solid balance sheet, very low debt and a high dividend yield, Itaúsa announced will pay R\$2 billion in dividends, we have a recurrent net income of 4.3 as I said, and total market capitalization 77 billion. So it's a very solid company.

In terms of human capital, Itaúsa and its subsidiaries have a very good talent attraction and retention for people, we have very good people working for us in the level of the Holding and subsidiaries, and all the companies invest a lot of training and developing its personnel.

In terms of reputational capital, we have a very solid corporate governance and ethical principles and very transparent principal for all the shareholders and stakeholders of the company, we have been in the Dow Jones Sustainability Index for the 14th year in a row and we are listed also in the Sustainability Index of B3 for companies for 11 years in a row.

In terms of intellectual capital, we have people to invest in analyzing investments in companies, very solid companies, market leaders, companies with new brand and with very good cash flows, that's where we create value for our shareholders and that's the movement that we did in the last years changing a lot the portfolio of investments of the Holding.

So you see here on the base of slide what we expect in terms of companies to invest and we expect a return for these new investments of 200 basis points above the cost of capital that for Itaúsa we use the same cost of capital of the bank, Itaú Unibanco, that is 14.5.

On page 17 we see the evolution of our shares against interest rates, the dollar and Bovespa, we have good numbers in general to show to the market.

And we have also for those who wanted to... or will be here in Brazil, we have the public meeting with the investors and shareholders on 13 September here in São Paulo at Hotel Unique. So for those who will be in Brazil at that date, it will be a pleasure to receive you from 9:30 in the morning until mid-day.

Thank you, we are now open for questions about the numbers, subsidiaries, and the strategy of the company.

Question-and-Answer Session

Operator: Ladies and gentlemen we will now begin the question-and-answer session. If you have a question, please press the star key followed by the one key on your touchtone phone. If at any time you would like to remove yourself from the questioning queue, press star 2.



Please, restrict your questions to 2 at a time. Participants connected by webcast can also send questions.

This concludes today's question-and-answer session. Mr. Alfredo, at this time you may proceed with your closing statements.

Mr. Setubal: Thank you for the participation from outside Brazil, we are here open, our team of investor relations is here to help you if you have any doubts or any questions about what we explained here today and the numbers of the company, the team is in place to answer all your doubts. Thank you for the participation and see you for the next conference call for Itaúsa.

Operator: That does conclude our Itaúsa's first half of 2018 results Conference call. Thank you very much for your participation, you may now disconnect.