



**International Conference Call
Itaúsa – Investimentos Itaú S/A
4th Quarter 2016 Earnings Results
February 15th, 2017**

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to ITAÚSA's conference call to discuss 2016 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. This conference call and the 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 – Member of the Board of Director at Itaúsa
Mr. Ricardo Garcia – Executive Manager of Finance at Elekeiroz
Mr. Antônio Joaquim de Oliveira – CEO at Duratex
Mr. Henrique Haddad – CFO at Duratex
Mr. Geraldo Soares – Investor Relations Superintendent at Itaú Unibanco Holding

It is now my pleasure to turn the call over to Mr. Alfredo. Sir, you may now begin.

Mr. Alfredo Setubal: Thank you. Good morning for those in US and good afternoon for those in Europe and other parts.

We are starting the presentation with slide number 3, for those who are following through the Internet and through the website.

The main point here in the ownership structure of the Itaúsa Group is the increase of participation in Itaú Unibanco Holding last year; the share of Itaúsa increased by 62 basis points because of the acquisition by the bank of its own shares and the cancellation of the shares that we had in the 100 million shares in the last

shareholders meeting. So, this is the main result of these transactions in the bank: the increase of 62 basis points in the participation. I think all the others are in line with the same figures that we showed in the past.

On slide number 4, we can see total assets of Itaúsa achieving almost R\$51 billion. Of those, 47 is related to investments in subsidiaries, like Duratex, Elekeiroz, Itaútec and the bank. The bank is the main asset, the 45 billion of these 47 billion total investments are related to the stake in the bank, that means almost 95.5% of total investments of Itaúsa.

On slide number 5, we have dividends and interest on capital. On the right side of this page, we can see the flow of dividends, we have the practice of distributing the dividends that we receive from the bank, that was announced last Tuesday after the Board Meeting, so we are bringing to our shareholders considering the whole year 2016 R\$3,734 billion in interest on capital and dividends.

We at the same date approved in the Board an increase in capital of 740 million, that will start next month the periods for shareholders who want to subscribe the capital. It's a private subscription, we don't have banks involved in this transaction, we will not make a road show, or anything related to this operation, it's in line with we had done in the past years, with the exception of 2015; if you are following through this slide you can see that in 2012 we increased capital in 900 million, in practical 125 million for 300 million, last year we didn't need capital and this year R\$740 million.

On slide 6 we can see a little bit of policies of portfolio diversification an analysis. As we said last year and during the year, we hired a consulting company to analyze the sectors that we are already involved and new possibilities for investments of Itaúsa.

Because of that studies, we announced that we are interested in studying the BR Distribuidora, the subsidiary of Petrobras, that Petrobras will sell a stake and the controlling shares and additional stake. We announced the Itaúsa will study this deal, this deal now is topped by the Justice and the "*Tribunal de Contas*" here in Brazil, that is the main court that judges the compliance of the purchase of the federal government and approve these transactions also, so this deal in this moment is stopped, but as soon as its recovered the schedule, we are going to study the alternatives, one alternative for Itaúsa in terms of diversification.

Elekeiroz we announced by the end of the year an impairment of assets of the company, and this impacted Itaúsa in R\$267 million.

We in the years we announced this restriction of Itaútec; we sold to AOC Japanese company our IT business and commercial automation for them, at that time we had 30% of this company in Brazil, now we have 11.2 participation in AOC Brazil, and in 2020 we are planning to reduce... to sell all this remaining stake of this company.

On page 8, we can see the assets of the company, the liabilities. We have total assets representing 94% of equity and all the liabilities 6%, that mainly the interest on capital and dividends that we have to pay to our shareholders in the coming months.

In general, this liquidity of the company is very strong, there is no debt related to capital markets or banking operations, so we are in a very solid position as a holding company.

On page 9, we can see the growth of the stockholders' equity. At the end of 2016, the number was R\$47.7 billion and a book value per share is R\$6.45.

On page 10, the return ROE of the company is 17.7% last year; below the 21.2 that we presented in 2015. This mainly is because of the reduction in results of the bank Itaú Unibanco Holding, that shows a net income lower than in 2014.

On page 11, we can see the distribution profits by sector. Of course, the industrial... the financial industry is going well, the bank is in very good shape, so the bank presented R\$8.7 billion for our profits, and the industrial area presented some losses of R\$80 million in losses due to the economic environment in Brazil, that last year was very difficult.

On page 12, the trading volume of Itaúsa in the BM&FBosvespa with an average of R\$220 million per day in terms of volume... I'm sorry, R\$171 million per day in terms of volume, financial volume, a big financial volume in 2016.

On page 13, we can see the discount related to Itaúsa, if we consider the market cap for each of its subsidiaries we can see that the discounts increased to 27.8% by the end of 2016, a discount that we consider to be excessive; we don't understand why the discount is in that level, it's about the average considering the last years.

On page 14, we have the preferred shares appreciation. We can see that Itaúsa has performed around the... a little bit better in general that Bovespa in the long term, and a little bit lower in the last 12 months.

In terms of corporate governance, we continue to have a good recognition, we continue to be a member of the Dow Jones Sustainability Index, the Corporate Sustainability Index of BM&FBosvespa also, so we continue to have good ratings for the company at this moment.

Saying is that, I pass the word to Ricardo Garcia that will talk a little about Elekeiroz results and perspectives for 2017.

Mr. Ricardo Garcia: Good morning or good afternoon depending on where you are. Let's start talking about Elekeiroz, its operational performance in 2016.

The shipments were 6% below than the previous year, and the net revenue declined about 14% to 771 million, and the gross profit of R\$40 million was 35% lower than the previous year.

A positive aspect is that the 4Q was the best of the year; we had some shipments recovery and better results driven by actions of cost cutting. The shipments in 4Q were 24% above the previous quarter and gross profit 28% over the previous quarter.

Going to page 18, in terms of net losses and Ebitda, the last 2 years were impacted for nonrecurring items, 2015 we had some extraordinary revenues, mainly the sale of a property not used in operations and some tax credits recognition *deccuring* from legal actions and civil actions, and in 2016 we had a lot of expenses with nonrecurring characteristics.

The economic crisis that impacted the industry hit Elekeiroz markets, resulting in relevant adjustments. The main adjustment refers to the impairment of oxo-alcohols, maleic and hydride and resins, due to worsening of actual and projected results, and other relevant adjustment refers to reversal of deferred taxes and social contribution related to credit, those compensations deadlines are over 10 years. We keep at the balance only the credits that we plan to compensate in 10 years.

We discontinued the production of the pelican hydride and plasticizers in Camaçari, Bahia, so we did the write-off of these assets in R\$30 million, and different provisions to the definitive deactivation of these plants of R\$29 million, and we did an additional allowance for doubtful accounts adjusting them to the new perspective of receiving due to the substantial worsening of economic recovery expectation and the condition of some of our clients.

Considering these events, the net loss published of R\$343 million goes to a recurring loss of R\$50 million, and the Ebitda of R\$56 million negative goes to R\$1.1 million positive.

Going to the page 19, in terms of prospects the last quarter of 2016 showed to be the best of the year with 4 positive signals: 1st, as slight but continuous growth in the market of our customers; and 2nd, the development of better solutions in Elekeiroz organic products portfolio; the 1st results of implemented actions related to cost cutting, improving our competitiveness; and the recovery of inorganic products volume shipments.

The discontinuation of Camaçari and hydride phthalic and plasticizers plants in addition to the restructure in promoting the 4Q make us more adjusted to the current level of plants occupation, and the acquisition of share of Nexoleum Bioderivados (bioderivates) brings Elekeiroz in the greens of the [0:18:13 unintelligible] route, as you can see in the diagram at the right side this kind of plasticizer represents nowadays 7% of our portfolio, and we believe that this growth will be fast and consistent.

The improvement of plasticizers portfolio is strategically important to maintain Elekeiroz leadership in the plasticizers.

Now, Henrique will talk with you about Duratex.

Mr. Henrique Haddad: Good morning everyone. Starting on page 21, let's talk about Duratex overall performance.

2016 was a very challenging year for Duratex. Volumes were significantly affected by market environment. Ebitda of 681 million represented 17.4% of sales; down from 2016, but with improving performance during the 2nd half of the year.

Highlight to the positive effect from fixed cost control initiatives, including SG&A, reaching around R\$100 million reduction in 2016. Also, significant increase in foreign market sales, both from Brazilian exports as well as Duratex business in Colombia, with very good performance.

In page 22, we can see a consolidated view of our investments. Due to market negative trend, investments are under a very tight control focusing mainly on maintenance and productivity projects.

Foreign investments in the other hand, continues stable considering long-term view. On M&A, the only highlight is related to Tablemac consolidation process (Duratex operations in Colombia) that took place last mid-year.

Important to mention that we see stability on investments levels in the coming years. Considering the numbers of relevant projects that took place in the last years, we don't expect to have pressure in this line.

Turning to page 23, net debt Ebitda ratio of 299 in 2016 indicates deterioration when comparing to 2015, maybe driven by the downturn in the marketplace.

Important to highlight the result of actions recently implemented in areas such as working capital control, sale of lands, sale of forest assets, helping reduce net debt in about R\$90 million in the last quarter.

On page 24, let's focus on wood division market. As you can see in both charts, market demand in 2016 was stable when comparing to 2015, in both MDF and MDP markets, highlights the significant increase in exports volumes in the past years. This was a very important movement reducing pressure in the domestic market considering good idle capacity.

Still talking about the wood division performance, now on page 25, highlight to the benefits of cost reduction actions and productivity implemented during last year, increasing of export sales from Brazil and results from our Colombian operation.

Important also to remember the sale of lands and forests assets that took place in 2016. These efforts were not sufficient to compensate the negative impact from the volume decrease and worse product mix that took place in 2016.

Now shifting to Deca division, on page 26, we can see the building material performance in the last years. This is an important reference for our business. ABRAMAT showed a very poor market performance in the last year. In the other hand, expectation for 2017 is to have a flat market when comparing to 2016, what could indicate an inflection in the market growth trend.

On page 27, let's focus on Deca's division performance. Low volume was the main highlight during 2016. Efforts on mix, on sales mix improvement, cost reduction actions, and production capacity adjustments implemented during the year, although very important, were not enough to fully compensate negative impact that come from volume decrease.

On page 28, final message, on top of the actions highlighted during my presentation, all the actions implemented in 2016, I'd like to reinforce some messages and our focus for 2017.

We will keep focused on our internal agenda, cost reduction and working capital management. The idea is to keep control of both profitability and cash generation in order to cut debt and our financial expenses.

With that, I'll pass to Geraldo Soares, from Itaú.

Mr. Geraldo Soares: Thanks Henrique. Good morning and good afternoon. We are here to present Itaú Unibanco Holding results for 2016. This information is presented under the IFRS accounting standards, which is different from that presented at the conference call held last week under the Brazilian GAAP.

In spite of the economic cycle that Brazil went through, the 4Q showed positive and solid results. I am on slide 31. I begin with the recurring net income of R\$23.5 billion in 2016; a 2.7% increase from 2015 and taking our average recurring ROE to 20.3%.

Here the most positive aspect in the quarter is the expenses with the allowance for loan losses, which keeps falling, in line with the deferred rates.

In this context, our expenses with the allowance for loan losses reduced 0.7% when compared to 2015. Additionally, it's important to note that we acquired 31.4 million preferred shares issued by the bank last year, and in January 2017 we acquired another 6.35 million preferred shares.

The next slide shows our loan portfolio, which grew 2.3% mainly due to the merger with CorpBanca. In addition to Latin America, the portfolio that grew the most was the mortgage portfolio, 9.9%, and the credit card portfolio grew 0.8%.

Since 2011 we have focused on reducing the credit risk of our portfolio. As a result, our mortgage payroll and Latin America ex Brazil loans portfolios have grown more rapidly, while our vehicle corporate and small companies' portfolios have decreased.

Well, in terms of deferred rates, the quarter was quite positive. Seasonality had some impact on them since we tend to have a better quarter at the end of every year, but even if we exclude this seasonality, the quarter was very constant with most portfolios presenting results on delinquency.

On the next slide, we can see that even with the reduction of the provisions, the coverage level is very high, that is, we are well covered. This line presents the Brazilian GAAP coverage ratio of 222%, and the main difference between this ration in relation to the IFRS is that the Brazilian GAAP considers our complementarity allowance.

On the slide 35, we present revenues from insurance services and products, which posted a growth of 4.6% last year, and has been very important our business model.

Commissions and fees increased 8.4% from 2015 totaling nearly R\$32 billion driven by the bank's box on increase of each [0:27:54 unintelligible] supplier role. Our results from insurance pension and capitalization operation decreased 11.9%. It's important to note here that we discontinued some insurance portfolios, such as Garanttech, which explains this drop.

Moving to slide 36, with respect to expenses they increased 6.9%; less than 2015 increase, which reflects our concern to make the bank more efficient, particularly at the economic context.

It is important to notice the increase of 4.5% in our number of employees mainly due to the merger with CorpBanca and increase in provisions for labor claims as consequence of modeling reviews.

Moving to the market highlights on slide 37, it's worth noting that we are the only Latin America bank to be part of the Dow Jones Sustainability Index since its creation in 1999. This year, we were selected once again to make up its portfolio, as well as the portfolio of the ISE.

On slide 38, we present the main marginal acquisitions for 2016. Talking about our projections for 2016 on the Brazilian GAAP, we reached all the targets that we had determined as guidance, except for loan portfolio, which was 0.5% lower than our projections.

Regarding our earnings projections for 2017, on slide 40, also under the Brazilian GAAP, we expect of the loan portfolio to grow from 0 to 4% in the consolidated figures. For the financial margin with clients in our [0:29:07 unintelligible] impairment,

which we will disclose together with the provision for loan losses, we expect a decrease from -4% to -0.5% in the consolidated. An important sector for this projection is the estimate drop in the SELIC interest rate in the year.

For the provision for loan losses and impairment together, we expect a more positive result for 2017: in the consolidated between R\$4.5 and 17 billion. This drop in the deferred rates (mentioned before) and our model support our projections of more positive figures for 2017.

We expect commissions and fees and result from insurance operations to grow from 0.5% to 4.5% in the consolidated; in line with the moderate growth of the portfolio and economic activity.

And finally, noninterest expenses are expected to increase from 1.5% to 4.5% in the consolidated considering a foreign exchange rate of R\$3.50 to a dollar at the end of 2017.

Thank you all and I will turn to Alfredo.

Mr. Setúbal: Thank you Geraldo and the others. I think we finish here the presentations, and we are now open for questions.

Q&A Session

Operator: Thank you. 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 now. If at any time you would like to remove yourself from the questioning queue, press the star key followed by the two key.

Please, restrict your questions to 2 at a time.

Our 1st question comes from Carlos Macedo, Goldman Sachs.

Mr. Macedo: Hi good afternoon gentlemen, thanks for taking questions. I just really want to talk about making new investments into the whole thing and the gas station BR Distribuidora.

When it 1st came out the discount [0:32:11 unintelligible] by round 700 basis points, can you just remind us, as in generally speaking, what size of investments do you expect to make and what kind of return you're looking for those [0:32:21 unintelligible - background noise]?

It seems to me like the [0:32:23 unintelligible - background noise] discount was a little bit excessive given that [0:32:27 unintelligible - background noise] and you're probably looking to [0:32:31 unintelligible - background noise].

Mr. Setúbal: Thank you Carlos for your question. We have been analyzing opportunities for Itaúsa, what we consider to be feasible for us is to reduce the stake, the participation of Itaúsa... not the stake, reduce the participation of Unibanco Holding in the investments of Itaúsa to something around 90%. Today, like I mentioned during my presentation, this number is a little bit above 95%.

So, we are not considering a huge investment for Itaúsa. I think BR is one investments that we consider to be interesting, it's a company that already exists, it's leader in the market, pays dividends, it's a mature business, so it's something that we consider.

In terms of size, it's around that size that we consider in terms of investments. In terms of return, we want returns at least the same level of the bank.

We consider that the services the industrial companies will enter in a new era of growth, we consider that the reforms that are being held in Brazil by the government and by the Congress approval will lead the industrial sector and services sector to more rentability in the coming years.

So, that's the reason that we consider that we can diversify a little bit the investments of Itaúsa, always considering the value creation for our shareholders, we don't want to do anything different from that, and we believe that we can find interesting assets looking ahead.

We see the bank in a very good shape in terms of results, in terms of branding, in terms of diversification, but we see little space for the bank in terms of more consolidation in the local markets, in Brazilian markets, due to the size of the bank, due to the antitrust authorities, so the growth of the bank will be probably more outside in terms of new business than inside Brazil.

So, considering all that, we think that looking for alternatives in terms of investments that creates value for shareholder is a good alternative looking for the coming years.

Mr. Macedo: Okay, thank you so much.

Operator: The next question comes from Jason Mollin, Scotia bank.

Mr. Mollin: Hi, thank you for the opportunity to ask a question. Mine is also related to this strategic diversification of Itaúsa. I mean, you mentioned looking for returns equivalent to bank's level.

Is that in the short term or could there be significantly mature counseling? That would be my 1st question: are there dividend requirements? How do you think about profitability; is it short term, is that long-term?

And secondly, if there were acquisitions to be done in the financial services sector, would that be done through Itaú Unibanco or through Itaúsa?

Mr. Setúbal: Thank you Jason for the question. No, we consider investments not in the financial service, all the financial services, investments will be made through Itaú Unibanco Holding.

What we consider at Itaúsa is investments that provide returns that we consider the same level of the bank in the long run. We are looking for investments, as I said, mature companies that already exist, we are not considering investments in startups or venture capital or things like that. It's not the type of investments that we're looking for.

We consider companies mature that have brand, that have cash flow, that pay dividends from the beginning, things like that. We are not considering anything really disrupting in terms of the diversification for Itaúsa, but we would like investments or one investment that could be anticyclical related to the bank business, okay? But not in the financial system.

Mr. Mollin: Okay, thank you very much.

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

Mr. Setúbal: Okay, thank you. Thank you for your time, for following the conference call and the results, the questions about the diversification and for investments.

Just to remember that we also, in terms of investments, renewed the authorization by the Board to buy back shares of Itaúsa, so buying back shares like we did last year is one of the alternatives that we are considering also in terms of investments, because we think that the discount is this to big; we don't see reasons for the discount today be much higher than the historical level of last years.

So, one of the alternatives that we are planning, authorized by the Board in the last meeting on Monday, is maybe buying back shares according to the evolution of the price of the company.

Saying it, I thank you all for the presence, for following us, for the interest in following Itaúsa, and be with you next conference call. Thank you.

Operator: That does conclude our Itaúsa's 2016 results conference call for today. Thank you very much for your participation. You may now disconnect.