Itau BBA International plc

Consolidated Annual Report 2015

Table of **Contents**

Introduction

The directors present their Strategic Report and the Directors' Report, followed by the audited consolidated financial statements of Itau BBA International plc ("IBBAInt" or the "Bank") and its subsidiaries (together the "Group"), and related notes for the year ended 31 December 2015.

The Group presents additional disclosures concerning regulatory capital information and risk management in a separate document ("Pillar 3 Disclosures"). The Pillar 3 Disclosures are published on www.itaubba.co.uk.

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the Group to publish additional information in respect of the year ended 31 December 2015. This information is available on www.itaubba.co.uk.

Basis of presentation

The abbreviations "USD'000", "USD m" and "USD bn" represent thousands, millions and billions of US dollars, respectively.

Forward-looking Statements

This document contains forward-looking statements with respect to the business, strategy and plans of the Group, its current goals and expectations relating to its future financial condition and performance.

Statements that are not historical facts are forward-looking statements. These statements are based on the Group's current plans, estimates, assumptions and projections. These expectations and projections are subject to significant risks and uncertainties and might not prove accurate. Therefore, no undue reliance should be placed on them. Forward-looking statements speak only as of the date they are made, and the Group undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks. Many factors could affect the future performance of the Group's business. These factors include, but are not limited to:

- adverse external factors, such as a decline in value of, or cessation of usage of, the euro, changes in capital or liquidity requirements applicable to banks, fluctuation in interest rates, a prolonged recession, low or unstable economic growth, a decline in demand for investment services or products, and increased regulation of investment products;
- adverse factors domestically or in countries where the Group has risk exposure, such as increases in inflation, unexpected loan losses, increased costs, high interest rates and currency exchange rate volatility, and changes in laws and regulations;
- other adverse factors, such as political events, international or domestic hostilities and political uncertainty; and
- changes to laws, regulation, accounting standards or taxation, the effects of competition and the actions of competitors, and other factors.

Strategic Report

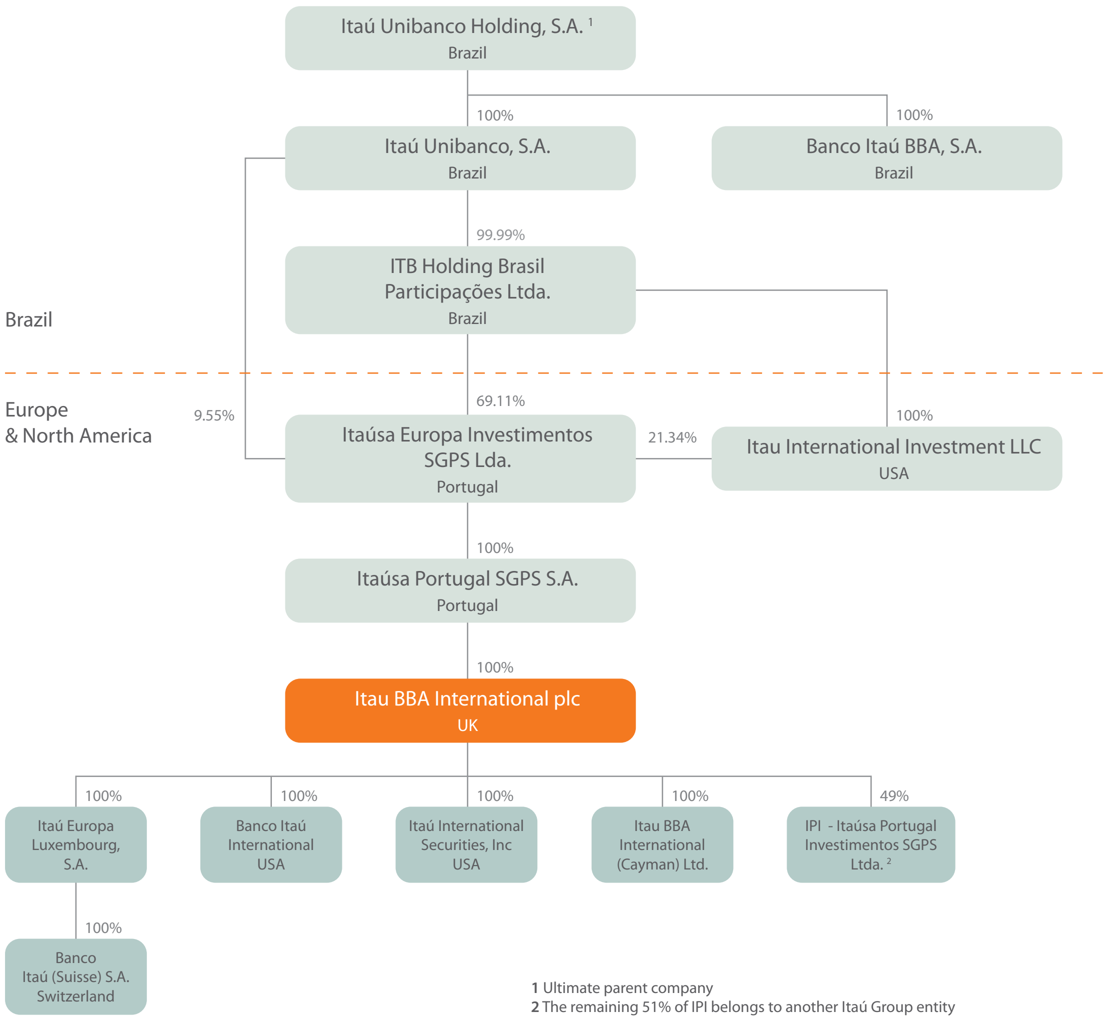
Background of the Bank

The Bank is a public limited company incorporated under the Laws of England and Wales, authorised by the Prudential Regulation Authority (the "PRA") and regulated by the Financial Conduct Authority (the "FCA") and by the PRA.

The Bank's ultimate parent company is Itaú Unibanco Holding S.A. ("Itaú Unibanco" - the ultimate parent undertaking and controlling party of the Bank), a publicly listed joint stock company with its head office in Brazil which owns, *inter alia*, Itaú Unibanco S.A. (its commercial banking arm) and Banco Itaú BBA S.A. (its investment banking arm). On 31 December 2015, Itaú Unibanco was the second largest company by market capitalisation in Brazil and the largest among financial institutions, with more than 90 thousand employees and operations in 18 countries outside Brazil, throughout the Americas, Asia and Europe. Itaú Unibanco and its subsidiaries are collectively referred to as the "Itaú Group". The Itaú Group's financial statements are available at www.itau.com.br.

IBBAInt has overseas banking subsidiaries in the United States of America ("USA") (Miami) and Switzerland (Zurich) and non-banking subsidiaries in Luxembourg and the Cayman Islands – these all collectively form the Group, as shown in the organisational chart below.

Organisational Chart



1 Ultimate parent company
2 The remaining 51% of IPI belongs to another Itaú Group entity

Business Model and **Strategy**

IBBAInt, based in the United Kingdom ("UK"), with a branch in Portugal, operates in the corporate and investment banking ("CIB") segment, where the strategic focus is on large economic groups and cross-border business between developed markets and Latin America. IBBAInt is also the entity that owns and controls the Miami and Zurich private banking subsidiaries, which are the primary delivery channel for international private banking ("IPB") activities for the Itaú Group.

In both CIB and IPB segments, the focus is on cross-border business between Latin America and the northern hemisphere (primarily Europe and the USA), in order to take advantage of the Itaú Group's market leadership in Brazil and its increasing penetration in Latin America.

Corporate & Investment Banking

The Itaú Group CIB strategy is based on building close relationships with clients by obtaining a comprehensive understanding of their needs and offering customised solutions.

The business model for IBBAInt is designed to provide European geographical coverage for CIB clients, with resources based in London, Lisbon, Madrid, Frankfurt and Paris, enabling the Itaú Group to achieve the most effective global commercial coverage for corporate and institutional clients.

Products and services are offered both to Latin American companies seeking to undertake business in Europe, and multinational companies aiming to pursue transactions in Latin America. These products and services include the following:

- General credit products, guarantees, commitments and related products, delivered in a bilateral format or via syndication with other institutions;
- Financial derivatives, with an emphasis on hedging instruments for foreign exchange ("FX") and interest rate risks of client subsidiaries in Latin America;
- Advisory services related to investment/disinvestment processes in Latin America;
- Advisory services, in connection with the broader Itaú Group, to support local financing needs for subsidiaries of European clients doing business in Latin America; and
- Assistance to European clients seeking to access other products and services (e.g. cash management, FX, etc.) for their subsidiaries doing business in Latin America.

International Private Banking

The international private banking ("IPB") operations are delivered by the Bank's subsidiaries in the United States of America and in Switzerland: Banco Itaú International (an Edge Corporation), Itaú International Securities Inc. (an introducing broker dealer), both based in Miami, Florida, and Banco Itaú (Suisse) S.A. (a bank based in Zurich). These operations are a key component of the wider Itaú Group's strategy of providing a global platform of wealth management services to affluent, high-net-worth and ultra-high-net-worth individuals and families mostly from Latin America.

The IPB clients are provided with access to unique investment opportunities in the North-American and European financial markets, and customised products and services that allow for global diversification of their investments.

The main products offered include Trading of Securities, Structured Products, Mutual and Hedge Funds, Loans, Cash Management Solutions, and Wealth Planning Consulting. Advisory services are provided by experienced teams of relationship managers, supported by investment specialists who strive to provide the most appropriate solutions according to each client's risk profile.

The majority of the IPB business is conducted with Brazilian clients, taking advantage of the dominant market share of Itaú in Brazil. As a result of the Itaú Group expansion in Latin America, the IPB subsidiaries are expected to grow the client base from the Latin American countries where the Itaú Group has a relevant presence, such as Argentina, Chile, Colombia, Paraguai and Uruguai.

In December 2015, IBBAInt's consolidated assets under management totalled USD 13.7 bn.

Performance **Highlights**

Key Performance Indicators

USD'000	**31.12.15**	**31.12.14**	**% Change**
Profit for the year	44 698	12 530	256.7%
Cost-to-income ratio	72.1%	80.6%	
Return on average equity	4.2%	1.2%	
Return on average assets	0.6%	0.2%	
Assets under Management (AuM)	13 727 220	14 568 249	(5.8%)
Credit Portfolio	5 303 273	5 705 661	(7.1%)
Customer accounts	2 929 676	2 774 571	5.6%
Non Performing Loans (NPL)	9 176	8 449	8.6%
NPL / Loans and advances to customers	0.2%	0.2%	
Coverage ratio	157.4%	145.2%	
Liquidity pool [1]	1 867 714	1 297 633	43.9%
Liquidity Coverage Ratio (LCR) [2]	307%		
Total capital ratio	18.1%	18.1%	
Common equity tier 1 ratio	17.9%	17.8%	
Leverage ratio	10.3%	10.5%	

1 The liquidity pool comprises cash at central banks and highly liquid collateral specifically held by the Bank as a contingency to enable it to meet cash outflows in the event of stressed market conditions.

2 The LCR became a minimum regulatory standard from 1 October 2015.

Performance **Review**

Details of the consolidated results and the profitability indicators are presented below:

Income Statement

USD'000	**31.12.15**	**31.12.14**	**% Change**
Net interest income	90 362	74 133	21.9%
Net fee and commission income	107 989	124 383	(13.2%)
Net income on financial operations	17 134	14 293	19.9%
Other operating income	11 130	12 781	(12.9%)
Total operating income	**226 615**	**225 590**	**0.5%**
Provisions and impairment charges	(2 531)	(20 294)	(87.5%)
Net operating income	**224 084**	**205 296**	**9.2%**
Total operating expenses	(163 502)	(181 904)	(10.1%)
Share of profit in associates	59	40	47.5%
Profit before tax	**60 641**	**23 432**	**158.8%**
Taxation	(15 942)	(10 901)	46.2%
Profit attributable to owners of the parent	**44 699**	**12 531**	**256.7%**
Non-controlling interests	(1)	(1)	-
Net profit	**44 698**	**12 530**	**256.7%**

Profitability indicators

	31.12.15	**31.12.14**
Cost-to-income ratio	72.1%	80.6%
Return on average equity	4.2%	1.2%
Return on average assets	0.6%	0.2%

The consolidated net income for 2015 was USD 44.7 m, 3.6 times higher than the one for 2014 (highly impacted by impairment charges). The Group had a net profit ex-impairment of USD 47.2 m in 2015, 43.9% higher than in the previous year supported by a 10.1% drop in operational expenses that positively impacted the cost-to-income ratio (from 80.6% in 2014 to 72.1% in 2015).

Business Segment **Review**

Balance Sheet Highlights

	CIB			IPB		
USD m	**31.12.15**	**31.12.14**	**% Change**	**31.12.15**	**31.12.14**	**% Change**
Total Assets	5 330	4 636	15.0%	3 789	3 249	16.6%
Assets under management (AuM)	-	-	-	13 727	14 568	(5.8%)
Guarantees and commitments	503	990	(49.2%)	118	181	(34.8%)
Credit Portfolio	3 682	3 845	(4.2%)	1 621	1 861	(12.9%)
Loans and advances to customers	3 179	2 855	11.3%	1 503	1 680	(10.5%)
Customer accounts	173	201	(13.9%)	2 811	2 606	7.9%

Income Statement

	CIB			IPB		
USD'000	**31.12.15**	**31.12.14**	**% Change**	**31.12.15**	**31.12.14**	**% Change**
Total operating income	78 166	72 535	7.8%	149 003	153 775	(3.1%)
Net interest income	59 360	41 855	41.8%	31 002	32 278	(4.0%)
Net fee and commission income	399	9 667	(95.9%)	107 590	114 716	(6.2%)
Net income on financial operations	12 046	12 656	(4.8%)	5 088	1 637	210.8%
Other operating income	6 361	8 357	(23.9%)	5 323	5 144	3.5%
Credit impairment charges and other provisions	(2 531)	(20 294)	(87.5%)	-	-	-
Total operating expenses	(54 166)	(66 871)	(19.0%)	(109 879)	(115 753)	(5.1%)
Income Tax	(4 811)	(76)	6230.3%	(11 131)	(10 825)	2.8%
Net profit / (loss)	**16 658**	**(14 706)**	**213.3%**	**27 992**	**27 196**	**2.9%**
Cost-to-income ratio	69.3%	92.2%		73.7%	75.3%	
Return on average equity	3.5%	(2.9%)		5.1%	5.5%	

Corporate & Investment Banking

CIB revenues increased 7.8% year on year to USD 78.2 m as a result of the growth of the loan and advances to customers that led to higher interest margin and to lower net fees and commissions (due to the increase in guarantees received as collateral – a strategy aligned with the Bank's risk appetite). Impairments reached USD 2.1 m, falling 87.5% year on year, converging to historical levels. CIB operating expenses fell by 19% to USD 54.2 m due to the implementation of efficiency measures. Net income reached USD 16.7 m (USD -14.7 m in 2014) and cost-to-income ratio improved to 69.3% in 2015 (92.2% in 2014) as a result of both revenue increase and lower cost level.

International Private Banking

IPB total operating income reached USD 149 m in 2015, 3.1% lower than in 2014 due to lower trading-related revenues. IPB operating expenses fell 5.1% as a result of efficiency measures and lower non-recurring costs regarding the wind-down of the Luxembourg subsidiary in May 2014 and the successful consolidation of the European IPB business in Zurich, through Banco Itaú (Suisse) SA. Net income was USD 28.0 m (USD 27.2 m in 2014) and cost-to-income ratio 73.7% (75.3% in 2014).

Capital **Management**

The Group actively manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements. On a consolidated basis, IBBAInt's regulatory capital requirements are determined by the PRA under CRD IV requirements. The Group's overall minimum capital requirements under Pillar 1 are calculated by reference to the regulatory models ("Standardised Approach" for credit risk; "Mark-to-market Method" for counterparty credit risk; "Basic Indicator Approach" for operational risk; and "Maturity-based calculation of general risk" for market risk, and "Standardised Method" for credit valuation adjustment risk).

The Group's objectives when managing capital are: (i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide the returns for shareholders and benefits for other stakeholders; (ii) to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate; and (iii) to maintain a strong capital base to support the development of its business. These objectives are achieved through well-embedded capital management practices.

The Group annually prepares an Internal Capital Adequacy Assessment Process ("ICAAP") document in order to ensure that it remains adequately capitalised. All of the Group's key risks are captured by the ICAAP so as to calculate the internal capital adequacy under normal and stressed times over a three-year planning horizon.

IBBAInt also has a Recovery Plan, subject to review on an annual basis, where a set of credible actions that would allow the Bank to increase its capital level, if required, are identified.

The capital managed by the Group broadly includes share capital, reserves and subordinated debt. These are all part of the Group's regulatory capital composition, as follows:

Regulatory Capital composition

USD m	31.12.15	31.12.14	% Change
Common equity tier 1 capital	945	933	1.3%
Permanent share capital	600	600	0.0%
Profit and loss account and other reserves	424	417	1.7%
Intangible assets	(78)	(84)	(7.1%)
Prudent valuation adjustments	(1)	(1)	0.0%
Tier 2 capital	10	16	(37.5%)
Total regulatory capital	**955**	**949**	**0.6%**
Total capital requirements	**422**	**419**	**0.7%**
Risk-weighted assets (RWA) [1]	**5 280**	**5 232**	**0.9%**
Common equity tier 1 ratio	17.9%	17.8%	
Total capital ratio	18.1%	18.1%	

1 Total capital requirements x 12.5

Capital requirements

USD m	31.12.15	31.12.14
By Risk Type		
Credit Risk [1]	384	378
Credit Valuation Adjustment [2]	2	2
Market Risk [3]	3	8
Operational Risk [4]	33	31
Total	**422**	**419**

1 "Standardised Approach" for credit risk; "Mark-to-market Method" for counterparty credit risk

2 "Standardised Method" for credit valuation adjustment risk

3 "Maturity-based calculation of general risk" for market risk

4 "Basic Indicator Approach" for operational risk

As at 31 December 2015, the consolidated capital ratios remained robust, with a total capital ratio of 18.1% (2014: 18.1%) and with capital requirements in line with previous year.

Risk-weighted assets - Credit Risk

USD m	31.12.15			31.12.14		
Assets	**Balance sheet amount**	**Average weight**	**Risk weighted assets (RWA)**	**Balance sheet amount**	**Average weight**	**Risk weighted assets (RWA)**
Cash and balances at central banks and other banks	2 497	9.3%	233	1 747	9.8%	171
Loans and advances to customers	4 682	87.2%	4 082	4 535	83.1%	3 768
Securities non-trading book [1]	620	-	-	664	0.8%	5
Trading assets	649	13.4%	87	657	11.1%	73
Property, plant and equipment	18	100.0%	18	20	100.0%	20
Goodwill and intangible assets [2]	93	-	-	96	-	-
Investment in associates	26	100.0%	26	28	100.0%	28
Tax assets	18	100.0%	18	17	152.9%	26
Other assets	39	100.0%	39	33	100.0%	33
Total Assets	**8 642**	**52.1%**	**4 503**	**7 797**	**52.9%**	**4 124**
Guarantees	185	60.5%	112	362	80.7%	292
Commitments	436	42.9%	187	809	37.9%	307
Total Off-Balance Sheet	**621**	**48.1%**	**299**	**1 171**	**51.2%**	**599**
Total RWA for Credit Risk	**9 263**	**51.8%**	**4 802**	**8 968**	**52.7%**	**4 723**
Credit Risk capital requirement			**384**			**378**

1 Subject to market risk requirements.

2 Deducted from own funds.

Risk **Management**

Risk is an inherent part of the banking business. The Itaú Group regards risk management as an essential instrument for optimising the use of its resources and for selecting the best business opportunities to maximise the value creation to shareholders over the long term. The Bank manages risk within the context of the Itaú Group-wide risk management framework but the Board reviews the overall Itaú Group strategy to ensure it is appropriate for IBBAInt.

Our risk culture encourages open and constructive discussion about the risks facing the Bank, emphasising the individual and collective responsibility of all employees for keeping a long term perspective, with a focus on business sustainability.

The Bank's risk management framework is designed to ensure appropriate identification, assessment, monitoring and management of each of the various types of risks underlying its activities on a consolidated basis, thereby allowing sustained growth of the business.

It is the Board's prime responsibility to maintain the safety and soundness of the Bank by setting a sustainable business model, managing the Bank to a clear and prudent strategy and risk appetite, overseeing the effectiveness of the risk control framework, and ensuring that the Bank continues to meet its regulatory and legal obligations. The Board-approved Risk Appetite Statement includes a balanced mix of both qualitative and quantitative measures covering capital, liquidity, earnings, and franchise indicators, and is rolled out throughout the Bank, helping to better align decision-making and risk.

The Board has reserved powers to approve, *inter alia:* (i) the Bank's strategy and review of its delivery; (ii) the Risk Appetite Statement and its associated framework; (iii) the Capital Plan; and (iv) the appointment and removal of the Chief Risk Officer (the "CRO").

The Board Risk and Capital Committee supports the Board in discharging its duties by providing focused advice to the Board on risk and capital adequacy matters, including monitoring the Risk Appetite and overseeing the establishment of appropriate systems and controls (including policies, procedures, and governance structures) to ensure key risks are effectively managed.

Under the authority of the Board, the Executive Committee is responsible for day-to-day management of risks in compliance with the Board-approved Risk Appetite. Through the approval of risk policies, procedures and governance structures (such as the Risk, Assets and Liabilities Committee ("RALCO"), Products Committee and Credit Committee), the Executive Committee seeks to ensure that the Board-approved Risk Appetite is translated into risk limits and embedded into strategic and financial planning, decision-making processes and compensation decisions. The Board retains ultimate responsibility for risk management.

Credit risk

Credit risk refers to the possibility of losses associated with: (i) the failure by the borrower, issuer, or counterparty to fulfil their respective financial obligations under agreed terms, (ii) the depreciation of the credit agreement arising from the deterioration of the borrower's rating, (iii) the reduction of gains or remuneration, (iv) the benefits granted upon renegotiation or (v) debt recovery costs.

The Group establishes limits, risk mitigation mechanisms and processes to monitor and control risks inherent to clients, portfolio concentrations and the impacts of potential changes in the economic environment. Credit risk is monitored on an ongoing basis and limits and mitigation mechanisms are subject to periodical review.

a) Maximum exposure to credit risk and effects of collateral and other credit enhancements

The following table presents reconciliation between the Group's maximum exposure and its net exposure to credit risk; reflecting the financial effect of cash collateral and netting agreements. For on-balance sheet assets, the maximum exposure set out below is based on net carrying amounts as reported in the balance sheet. This analysis of credit risk includes only financial assets subject to credit risk, and therefore excludes investments in associated companies, goodwill, tangible and intangible assets, tax and other assets, as well as trading securities because their risk is transferred to investors (see Note 6 to the Financial Statements).

Maximum exposure and effects of cash collateral and other credit enhancements

USD m	31.12.15 Maximum exposure	Netting	Cash collateral	Net exposure [1]	31.12.14 Maximum exposure	Netting	Cash collateral	Net exposure [1]
On-balance sheet:								
Balances at Central Banks	1 561	-	-	1 561	1 030	-	-	1 030
Financial assets designated at fair value	204	-	-	204	276	-	-	276
Derivative financial instruments	543	-	-	543	460	-	-	460
Loans and advances to banks	936	(209)	-	727	717	(97)	-	620
Loans and advances to customers								
- CIB	3 179	(13)	(321)	2 845	2 855	-	(187)	2 668
- IPB [2]	1 503	-	(314)	1 189	1 680	-	(330)	1 350
Financial assets available for sale	416	-	-	416	388	-	-	388
Total on-balance sheet	8 342	(222)	(635)	7 485	7 406	(97)	(517)	6 792
Off-balance sheet:								
Guarantees and Commitments								
- CIB	503	-	-	503	990	-	-	990
- IPB [2]	118	-	(54)	64	181	-	(43)	138
Total off-balance sheet	621	-	(54)	567	1 171	-	(43)	1 128
Total	8 963	(222)	(689)	8 052	8 577	(97)	(560)	7 920

1 The amount of Net exposure corresponds to the maximum exposure after taking into account the effects of netting and cash collateral.

2 Net exposure to Private Banking customers is collateralised by highly liquid investments.

b) Quality of the portfolio of Loans and advances to customers

The portfolio of loans and advances to customers is analysed as follows:

Quality of the portfolio of Loans and advances to customers

USD m	**31.12.15**	**31.12.14**
Loans and advances to customers		
- Neither past due nor impaired	4 700	4 538
- Past due but not impaired	1	14
- Impaired	8	8
Commissions related to amortised cost (net)	(15)	(13)
Gross amount of loans and advances to customers	**4 694**	**4 547**
Loan impairment	(12)	(12)
Net amount of loans and advances to customers	**4 682**	**4 535**

The past due but not impaired loans of USD 1 m (31.12.14: USD 14 m) were fully collateralised by cash or securities at fair value and were outstanding for less than 90 days. The amount of loans to customers considered individually impaired was USD 8 m on 31 December 2015 and 2014. At the end 2015 these loans had a 100% coverage (2014: 100% coverage). On 31 December 2015 and 2014, the breakdown by internal rating classification of the loans and advances to customers that were neither past due nor impaired is shown in the table below. The Group implemented this internal rating system which is established through probabilities of default and compatible with the nature, scale and complexity of the activities developed by the Group.

Quality of the portfolio of loans and advances to customers neither past due nor impaired

USD m	31.12.15	%	31.12.14	%
Internal rating [1]				
A1 to A4	63	1.3%	243	5.4%
Baa1 to Baa4	1 856	39.6%	1 752	38.5%
Ba1 to Ba6	1 182	25.2%	842	18.6%
B1 to B4	77	1.6%	14	0.3%
Below B4	-	-	7	0.2%
Unrated	21	0.4%	11	0.2%
Private Banking [2]	1 501	31.9%	1 669	36.8%
Total	4 700	100.0%	4 538	100.0%

1 The monitoring and measurement of credit risk methodologies used for the Group limits are established in coordination with an internal rating system, under which the higher the risk, the lower the permitted exposure. All entities to which a credit limit is attributed are rated in terms of their risk level.

2 Corresponds to Loans with Private Banking customers, which are substantially collateralised by deposits, highly liquid investments or a combination of both.

c) Quality of the portfolio of securities

The table below presents an analysis of the available for sale and at fair value through profit or loss securities portfolios:

Quality of the portfolio of Securities (Rating Moody's)

	Financial assets available for sale		Financial assets designated at fair value	
USD m	31.12.15	31.12.14	31.12.15	31.12.14
Aaa				
- USA	383	227	-	-
- Netherlands	31	57	-	-
- Switzerland	2	2	-	-
Aa1 to Aa3				
- Belgium	-	22	35	40
- France	-	50	-	-
Baa1 to Baa3				
- Italy	-	27	-	-
- Brazil	-	-	169	236
Below Baa3				
- Portugal	-	3	-	-
Total	416	388	204	276

d) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group implements limits on industry concentration and monitors this and other credit risk concentrations (geographic and largest debtors) in line with the Board-approved Risk Appetite Statement.

The Group also establishes risk mitigation mechanisms and processes to monitor and control risks inherent to portfolio concentrations and the impacts of potential changes in the economic environment. To that end, each business unit of the Group is required to grant credit in accordance with the authority levels, market conditions, macroeconomic prospects, changes in markets and products and the effects of sector and geographic concentrations.

The table below presents the Group's credit risk concentration (net exposure) in terms of the industry in which the immediate debtor is engaged.

Credit risk concentrations by industry

USD m	Loans to Banks and Central Banks	Loans to Customers	Guarantees and Commitments	Securities and Derivatives	Net Exposure [1]			
					31.12.15	%	31.12.14	%
Sovereigns and Central Banks	1 561	-	-	620	2 181	27.1%	1 691	21.3%
Financial institutions	727	93	-	195	1 015	12.6%	934	11.8%
Oil and gas	-	880	-	22	902	11.2%	718	9.1%
Automotive and autoparts	-	428	87	1	516	6.4%	526	6.6%
Iron and steel industry	-	213	25	-	238	3.0%	338	4.3%
Heavy construction	-	192	2	-	194	2.4%	178	2.2%
Fertilizers and agro	-	70	70	2	142	1.8%	109	1.4%
Food and Beverage	-	140	-	-	140	1.7%	276	3.5%
Communications	-	50	87	-	137	1.7%	169	2.1%
Retail	-	82	38	-	120	1.5%	178	2.2%
Home appliances	-	108	-	-	108	1.3%	75	0.9%
Construction materials	-	104	-	-	104	1.3%	93	1.2%
Services - Others	-	81	23	-	104	1.3%	61	0.8%
Trading	-	56	30	-	86	1.1%	161	2.0%
Electronics	-	52	25	-	77	1.0%	231	2.9%
Sugar and ethanol	-	61	-	-	61	0.8%	87	1.1%
Machinery and heavy equipment	-	20	30	-	50	0.6%	100	1.3%
Logistics	-	49	-	-	49	0.6%	36	0.4%
Mining	-	41	-	-	41	0.5%	-	-
Real estate	-	-	41	-	41	0.5%	-	-
Petrochemicals and Chemicals	-	40	-	-	40	0.5%	68	0.9%
Pharmaceutical / Cosmetics	-	27	-	-	27	0.3%	-	-
Energy	-	26	-	-	26	0.3%	46	0.6%
Others	-	32	45	-	77	1.0%	128	1.6%
Private Banking [2]	-	1 189	64	323	1 576	19.6%	1 717	21.7%
	2 288	4 034	567	1 163	8 052	100.0%	7 920	100.0%

1 Group's net exposure in terms of risk of the immediate debtor classified by industry sector, after taking into account netting and cash collateral.

2 Net exposure to Private Banking customers is collateralised by highly liquid investments.

The following table presents the Group's credit risk concentration (net exposure) in terms of country of domicile of the credit risk counterparty[1].

IBBAInt's exposure to Brazil (17.8%) benefits from the vast knowledge and extensive market penetration of the Itaú Group (31.12.14: 16.3%).

Credit risk concentrations by geography

USD m	Central Banks	Loans to Banks	Loans to Customers	Securities	Derivatives	Guarantees and Commitments	Net Exposure [1] 31.12.15	%	31.12.14	%
Eurozone Countries										
Netherlands	-	49	354	31	10	50	494	6.1%	405	5.1%
Germany	-	206	184	-	1	1	392	4.9%	421	5.3%
France	-	9	73	-	41	138	261	3.2%	334	4.2%
Luxembourg	-	10	122	-	-	38	170	2.1%	218	2.8%
Spain	-	-	93	-	3	15	111	1.4%	213	2.7%
Portugal	1	-	69	-	-	-	70	0.9%	15	0.2%
Italy	-	-	35	-	-	-	35	0.5%	70	0.9%
Belgium	-	-	-	35	-	-	35	0.5%	62	0.8%
	1	274	930	66	55	242	1 568	19.6%	1 738	21.9%
Other European Countries										
Switzerland	492	7	6	2	17	1	525	6.5%	389	4.9%
United Kingdom	-	148	33	-	38	49	268	3.3%	229	2.9%
Norway	-	-	35	-	-	20	55	0.7%	102	1.3%
Sweden	-	-	-	-	-	33	33	0.4%	36	0.5%
Hungary	-	-	18	-	-	-	18	0.2%	-	-
Denmark	-	-	4	-	-	-	4	0.0%	4	0.1%
	492	155	96	2	55	103	903	11.1%	760	9.6%
North America										
USA	1 068	19	339	383	35	85	1 929	24.0%	1 936	24.4%
Mexico	-	1	62	-	-	71	134	1.7%	1	0.0%
Canada	-	-	-	-	-	-	-	-	3	0.0%
Bermudas	-	-	-	-	-	-	-	-	71	0.9%
	1 068	20	401	383	35	156	2 063	25.7%	2 011	25.4%
South America, Latin America & Caribbean										
Brazil	-	275	933	169	56	-	1 433	17.8%	1 293	16.3%
Argentina	-	-	167	-	-	-	167	2.1%	53	0.7%
Ecuador	-	-	85	-	-	-	85	1.1%	85	1.1%
Peru	-	-	33	-	19	-	52	0.6%	16	0.2%
Honduras	-	-	50	-	-	-	50	0.6%	-	-
Panama	-	-	42	-	-	-	42	0.5%	85	1.1%
Colombia	-	-	27	-	-	-	27	0.3%	37	0.5%
Chile	-	-	9	-	-	2	11	0.1%	-	-
Costa Rica	-	-	5	-	-	-	5	0.1%	-	-
Bahamas	-	-	-	-	-	-	-	-	21	0.3%
Cayman	-	-	-	-	-	-	-	-	20	0.3%
	-	275	1 351	169	75	2	1 872	23.2%	1 610	20.3%
Other Countries										
Singapore	-	-	67	-	-	-	67	0.8%	50	0.6%
Australia	-	2	-	-	-	-	2	0.0%	2	0.0%
Japan	-	1	-	-	-	-	1	0.0%	-	-
Israel	-	-	-	-	-	-	-	-	32	0.4%
	-	3	67	-	-	-	70	0.8%	84	1.1%
Private Banking[2]	-	-	1 189	-	323	64	1 576	19.6%	1 717	21.7%
	1 561	727	4 034	620	543	567	8 052	100.0%	7 920	100.0%

1 Group's net exposure in terms of country of domicile of the final credit risk counterparty, after taking into account netting and cash collateral.

2 Net exposure to Private Banking customers is collateralised by highly liquid investments.

[1] The allocation to the country is based on the country of incorporation of the relevant client, except for off-shore jurisdictions, where the exposure is allocated to the country of the relevant client's ultimate parent.

Market risk

Market risk refers to the possibility of losses resulting from fluctuations in the market values of positions held by the Bank, most typically caused by variations in foreign exchange rates, interest rates, equity prices, indices prices and commodity prices, along with various indices on these risk factors.

The Bank's Market Risk framework captures all relevant risk dimensions using a comprehensive set of risk metrics, limits and controls. This framework comprises both aggregate and granular levels of metrics, limits and controls. Historical Simulation Value at Risk (one-day holding period and 99% confidence level) and stress-scenario are the main metrics on an aggregate level, and sensitivity and market value/notional by currency are the main metrics on a granular level.

The main risk factors are interest rate and foreign exchange rate risk arising from non-trading activity, since the Bank does not undertake positions with trading intent.

The table below shows the average amounts of Value at Risk ("VaR").

Market Risk - VaR

average amounts

USD'000	1st Half	2nd Half	2015	2014
Interest rate risk	293	1 026	665	211
Foreign exchange risk	349	209	278	262
Equity price risk	5	3	4	8
Total VaR	**647**	**1 214**	**935**	**481**

The following table summarises the Group's exposure to interest rate risk, on 31 December 2015 and 2014. It includes the Group's financial assets and liabilities at book value, by repricing or maturity date.

Interest rate risk

2015 USD m	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	31.12.15 Total
Non-trading Financial Assets							
Cash and balances at central banks	1 561	-	-	-	-	-	1 561
Financial assets designated at fair value	-	-	71	133	-	-	204
Loans and advances to banks	720	25	191	-	-	-	936
Loans and advances to customers	999	1 494	1 455	730	24	(20)	4 682
Financial assets available for sale	-	22	130	264	-	-	416
Total	3 280	1 541	1 847	1 127	24	(20)	7 799
Non-trading Financial Liabilities							
Deposits from banks	384	225	741	-	-	-	1 350
Customer accounts	2 823	7	100	-	-	-	2 930
Debt securities in issue	242	996	558	706	3	(3)	2 502
Subordinated liabilities	-	30	-	-	-	-	30
Total	3 449	1 258	1 399	706	3	(3)	6 812
Interest rate gap by period	(169)	283	448	421	21		
Cumulative interest rate gap	(169)	114	562	983	1 004		

2014 USD m	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	31.12.14 Total
Non-trading Financial Assets	2 870	1 646	1 189	1 206	46	(11)	6 946
Non-trading Financial Liabilities	2 889	1 280	913	758	39	-	5 879
Interest rate gap by period	(19)	366	276	448	7		
Cumulative interest rate gap	(19)	347	623	1 071	1 078		

The portfolio sensitivity analysis presented below considers a 100 basis points shock in interest rates based on a static assessment of the portfolio (it does not take into account management actions to mitigate potential losses).

Interest Rate Risk - DV +100bp

USD'000	2015	2014
USD	5 010	855
EUR	559	(2 202)
Other currencies	61	(554)
Total	5 630	(1 901)

The exchange rate risk of the Bank's portfolio is monitored on a daily basis.

As of 31 December 2015, the net positions in foreign currencies with currency-risk exposure, as well as the impact on net income before taxation of a 10% depreciation of the USD against these currencies, is shown in the following table (it does not take into account management actions to mitigate potential losses):

Exchange Rate Risk

	2015			2014		
USD'000	**Long Position**	**Short Position**	**Impact**	**Long Position**	**Short Position**	**Impact**
Euros	-	(2 926)	(293)	-	(6 410)	(641)
Brazilian Reais	-	(6 454)	(645)	1 565	-	157
Sterling Pounds	-	(2 958)	(296)	-	(8 313)	(831)
Swiss Francs	-	(871)	(87)	-	(15 410)	(1 541)
Other currencies	373	-	37	97	-	10
Total	373	(13 209)	(1 284)	1 662	(30 133)	(2 846)

Liquidity risk

Liquidity risk is the risk of not having sufficient financial resources to meet obligations as they fall due, or only being able to secure resources at excessive cost. It occurs as a result of imbalances between tradable assets and falling due liabilities, tenor and/or currency mismatches.

The Group has a comprehensive liquidity risk management framework for managing its liquidity and funding risk in compliance with Board-approved Risk Appetite and regulatory liquidity requirements. This liquidity risk framework is prudently managed, primarily through stressed net contractual and contingent outflows under a variety of stress scenarios, measured against the available liquidity resources (liquidity pool). These scenarios cover a range of idiosyncratic, market-wide and combined stresses. The Group maintains its liquidity surplus under these stress scenarios at an efficient level.

Since October 2015, the Group has been managing its liquidity risk profile under the new liquidity regulatory regime implemented by the PRA (CRD IV - Interim LCR), setting the minimum Liquidity Coverage Ratio ("LCR") at 80% and the eligibility of liquid assets to cover a net stress outflows. The LCR is designed to promote the short-term resilience of the liquidity profile of banks to survive a significant stress over a period of 30 calendar days. The Group maintains a surplus under the minimum regulatory and internal requirements, monitoring a range of market and internal early warning indicators on a daily basis for early signs of liquidity risk. At the end of 2015, the eligible high quality liquid assets ("HQLA") amounted to USD 1,277 m and the LCR was 307% with an equivalent surplus of USD 944 m.

The Group also monitors its liquidity positions against the Net Stable Funding Ratio ("NSFR") that is designed to promote sustainable medium to long-term liquidity profile by ensuring sufficiently stable sources of funding to mitigate future funding stress. The NSFR is due to become a minimum standard for UK-regulated banks from Jan 2018.

The Group's liquidity pool as at 31 December 2015 was USD 1,868 m (31.12.14: USD 1,298 m). The liquidity pool represents the unencumbered resources, in amount and quality, immediately available to meet the outflows in an event of liquidity stress.

Liquidity pool

USD m	**31.12.15 Liquidity pool [1]**	**%**	**Of which: HQLA[2] elegible**	**31.12.14 Liquidity pool [1]**	**%**
Cash and balances at central banks	1 280	69%	828	771	59%
Financial assets					
Government bonds					
AAA rated	414	22%	414	284	22%
AA+ to AA- rated	35	2%	35	112	9%
Other government bonds	139	7%	-	131	10%
	588	31%	449	527	41%
Total	1 868	100%	1 277	1 298	100%

1 Considers only unencumbered assets.

2 High quality liquid assets, disregarding liquid assets with transfer restrictions

The RALCO monitors and discusses liquidity positions, respective controls and contingency plans through monthly meetings. The Bank maintains a Contingency Funding Plan ("CFP"), proportionate to the complexity, nature, size and business profile, to provide an effective framework to manage liquidity crisis. The CFP complements the Recovery Plan and the Bank's overall liquidity risk management framework. The CFP provides for actions to address a short-term or prolonged liquidity stress period. The Bank's Recovery Plan, subject to review on an annual basis, sets out further credible actions that would allow the Bank to increase its liquidity resources in the event of severe stress.

Regarding funding risk and its composition, the Group has a high volume of customer deposits, representing 43% of total funding (31.12.14: 47.2%), mainly from IPB activities, and wholesale funding from products offered to private banking customers as well as wholesale market counterparties.

Structured notes issued by the Bank represented around 29.2% of total funding at the end of 2015 (2014: 36.5%). The structured notes portfolio is a stable, medium/long-term funding, diversified through different types of structure, underlying and investor base.

The table below depicts the Group funding composition as of December 2015 and 2014:

Funding composition

USD m	31.12.15	%	31.12.14	%
Wholesale funding				
Deposits from banks	1 350	19.8%	814	13.8%
Debt securities in issue				
Floating Rate Notes	5	0.1%	5	0.1%
Certificates of deposit	508	7.5%	109	1.9%
Structured notes	1 989	29.2%	2 146	36.5%
Subordinated liabilities	30	0.4%	30	0.5%
Total wholesale funding	3 882	57.0%	3 104	52.8%
Customer deposits	2 930	43.0%	2 775	47.2%
Total funding	6 812	100.0%	5 879	100.0%

Funding Highlights

USD m	31.12.15	31.12.14	% Change
Total Funding	6 812	5 879	15.9%
Wholesale Funding	3 882	3 104	25.1%
of which:			
<1 year residual maturity	1 911	1 231	
>1 year residual maturity	1 971	1 873	
Customer deposits	2 930	2 775	5.6%
Loan-to-Deposit ratio	159.8%	163.4%	
Loan-to-Wholesale funding ratio	120.6%	146.1%	

The following table presents the cash flows related to financial assets and liabilities (including derivatives) receivable and payable by the Group by remaining contractual maturities at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows, except for financial assets and liabilities recognised in the balance sheet at fair value, in which case the amounts correspond to the book value. Except for these, the balances in the table do not agree directly to the amounts in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis.

Liquidity risk at 31.12.15

USD m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	31.12.15 Total
Financial assets						
Cash and balances at central banks	1 561	-	-	-	-	1 561
Trading assets	-	-	10	76	19	105
Financial assets designated at fair value	-	-	71	134	-	205
Loans and advances to banks	452	25	243	-	-	720
Loans and advances to customers [1]	645	941	1 203	2 075	50	4 914
Financial assets available for sale	-	22	130	264	-	416
	2 658	988	1 657	2 549	69	7 921
Financial liabilities						
Trading liabilities	-	-	(12)	(86)	(7)	(105)
Deposits from banks	(120)	(74)	(686)	(442)	-	(1 322)
Customer accounts	(2 799)	-	(100)	-	-	(2 899)
Debt securities in issue [1]	(126)	(327)	(488)	(1 356)	(3)	(2 300)
Subordinated liabilities	-	-	-	(31)	-	(31)
	(3 045)	(401)	(1 286)	(1 915)	(10)	(6 657)
Trading derivatives [2]						
Positive flow	1	2	6	1	-	10
Negative flow	(20)	(3)	(3)	(3)	-	(29)
	(19)	(1)	3	(2)	-	(19)
Liquidity gap by period	(406)	586	374	632	59	1 245

1 Embedded derivatives were included together with the host contracts (IFRS 7 par B11A).

2 Derivatives under CSA agreements were considered net of collateral (net basis by counterparty) under the "Up to 1 month" bucket.

Liquidity risk at 31.12.14

USD m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	31.12.14 Total
Financial assets						
Cash and balances at central banks	1 030	-	-	-	-	1 030
Trading assets	28	45	3	75	45	196
Financial assets designated at fair value	7	-	128	141	-	276
Loans and advances to banks	410	38	71	21	-	540
Loans and advances to customers [1]	714	1 019	866	2 076	129	4 804
Financial assets available for sale	-	22	22	344	-	388
	2 189	1 124	1 090	2 657	174	7 234
Financial liabilities						
Trading liabilities	(29)	(47)	(7)	(46)	(67)	(196)
Deposits from banks	(62)	(44)	(543)	(142)	-	(791)
Customer accounts	(2 596)	(34)	(125)	-	-	(2 755)
Debt securities in issue [1]	(26)	(77)	(416)	(1 669)	(41)	(2 229)
Subordinated liabilities	-	-	-	(31)	-	(31)
	(2 713)	(202)	(1 091)	(1 888)	(108)	(6 002)
Trading derivatives [2]						
Positive flow	7	12	25	20	3	67
Negative flow	(4)	(8)	(17)	(11)	(10)	(50)
	3	4	8	9	(7)	17
Liquidity gap by period	(521)	926	7	778	59	1 249

1 Embedded derivatives were included together with the host contracts (IFRS 7 par B11A).

2 Derivatives under CSA agreements were considered net of collateral (net basis by counterparty) under the "Up to 1 month" bucket.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, and includes legal, regulatory and compliance risks.

The Bank's operational risk management framework is composed of five sequential steps:

- Process Mapping – Assessment performed between the first and second lines of defence where the Bank's key processes and operational risks are identified and mapped;
- Risk Classification – Classification of the risks identified based on the inherent impact (financial, operational, regulatory and reputational) were these risks to materialise;
- Risk Response – Based on the risk classification, the first line of defence sets out an adequate response, which may include: implementing improvements to the process, running periodical tests on the key controls that mitigate the risk, establishing additional indicators to be monitored, or take no action;
- Risk Indicators – The development of risk indicators ensures that the operational risks identified and assessed are monitored and controlled within the limits tolerated; and
- Risk Report – Regular operational risk analysis is disseminated across the Bank through reports discussed with the relevant areas as well as at the RALCO meetings.

The operational risk control is carried out by an independent and specialised function, duly segregated from the commercial areas. The ongoing monitoring performed by the Operational Risk function covers: issues identified by internal and external audit, daily events and weaknesses identified by the business areas, action plans defined when performing the risk response, operational losses and key risk and performance indicators. An independent and objective review of the operational risk function is performed by the Internal Audit function in order to provide assurance to the Board that the Bank's activities are aligned with its Risk Appetite, regulatory and legal requirements.

Going Concern

The key risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity, as described on pages 12 to 22, are being actively monitored and managed by the directors. In particular, based on internal assessments and three-year forecasts, the Bank's capital and liquidity positions are deemed adequate under both a normal and a stressed market environment. Additionally, the directors have identified a suite of credible actions to restore the Bank's capital and solvency positions in the event of a severe stress, which include both support from the parent and market-related recovery options.

Having considered these matters, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future.

Recent **developments**

Renato Lulia Jacob was appointed as Chief Executive Officer ("CEO") by the Board of Directors of the Bank on the 10th December 2015 with effect from the 1st January 2016, subject to regulatory approval, following the resignation of Charles Fyfe Stewart, who has decided to leave the Itaú Group by the end of 2015.

Renato has been an executive member of the Board of Directors of the Bank since the Bank was authorised by the PRA in December 2012, having joined the Itaú Group in 2001, and since 2010 successfully steered the corporate area of the Bank into its current position as the Itaú Unibanco international platform for the European Market. Renato Lulia Jacob's appointment as CEO was approved by the regulators on the 24th February 2016.

Perspectives for **2016**

Our mission at IBBAInt is to be the bank of choice with respect to Latin America for the most important corporations and investors in the northern hemisphere, and the European bank of choice for our Latin American clients. Our strategy in both the Corporate and Investment Banking (CIB) and the International Private Banking (IPB) segments, the latter developed through our subsidiaries in Miami and Zurich, is focussed on the business flow between Latin America and the developed markets (primarily Europe and the USA), taking advantage of the Itaú Group's market leadership in Brazil and its increasing penetration in Latin America.

2015 was an exceptionally challenging year for the Brazilian economy, which was reflected by the downgrade of the country's sovereign credit rating to speculative grade by Standard & Poor's, Fitch Ratings and, more recently, Moody's. In the European marketplace the Bank's competitiveness was also impacted by the European Central Bank quantitative easing programme.

Despite the challenging macro environment, the Bank reported very good results in both the CIB and IPB segments in 2015 mainly thanks to the high quality of the Bank's Credit portfolio and risk management, as well as a very persistent emphasis on efficiency and cost discipline across the Group.

Looking ahead, 2016 will probably be another challenging year: the global outlook indicates a slower expansion in both advanced and emerging economies. We are closely monitoring these risks and the opportunities they may bring. We believe that, under such a challenging scenario in Latin America, we are well positioned to capture the trade and capital movements between that market and the developed markets, and deliver to our international clients a high-quality advisory service related to investment/disinvestment processes in the region. Our confidence is due to our in-depth knowledge of the Latin American market and the strong support network from the Itaú Group.

Growth opportunities in both the CIB and the IPB segments are also likely to arise from the Itaú Group's significant expansion in Latin America, especially in Chile and Colombia, as a result of the merger of Banco Itaú Chile and CorpBanca.

Our strong governance and control environment, proactive approach to risk, solid capital and liquidity positions and our unique capacity to understand the Latin American market make us believe that we will successfully seize growth opportunities and overcome the challenges ahead. Most importantly, our confidence is based on the positive record of more than 20 years as the European wholesale platform of the Itaú Group, and the full trust and support of our shareholders over all these years.

On behalf of the Board of Directors:

Renato Lulia Jacob - Director and CEO

Date: 20 April 2016

Directors' Report

Directors' **Report**

The following directors held office throughout the year and to the date of approval of this report, except where otherwise indicated:

Director	Role	Appointment	Resignation
Candido Botelho Bracher	Chairman Non-Executive	September 2012	
Alberto Fernandes	Non-Executive	September 2012	
Alfredo Egydio Setubal	Non-Executive	September 2012	April 2015
Charles Fyfe Stewart	Executive - CEO*	July 2013	December 2015
Eduardo Mazzilli de Vassimon	Non-Executive	May 2013	
Flavio Augusto Aguiar de Sousa	Non-Executive	December 2015	
Gay Huey Evans	Non-Executive**	September 2012	
Paulo Jorge dos Santos Lopes	Executive	September 2012	
Renato Lulia Jacob	Executive - CEO*	September 2012	
Ricardo Villela Marino	Non-Executive	September 2012	
Robert Mark Pickering	Non-Executive**	September 2012	

* Renato Lulia Jacob succeeded Charles Fyfe Stewart as CEO from 1 January 2016 subject to regulatory approval. Renato Lulia was granted final regulatory approval as the new CEO of the Bank on 24 February 2016.

** Gay Huey Evans and Robert Mark Pickering are independent non-executive directors in light of the independence criteria set out by the UK Governance code.

Directors' insurance and indemnity

Directors' and Officers' Liability Insurance is taken out by Itaú Unibanco Holding S.A., the Group's ultimate parent undertaking, for the benefit of the management members of Itaú Unibanco Holding S.A and its subsidiaries, hence including the directors of the Bank and its subsidiaries.

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006), contained in the Articles of Association of the Bank, were in force during the course of the financial year ended 31 December 2015 and up to and including the date of this report for the benefit of the directors of the Bank.

Share capital

Information about share capital is shown in Note 25 to the Consolidated Financial Statements and is incorporated in this report by reference.

Results and dividends

The consolidated income statement of the Group shows a profit for the year ended 31 December 2015 of USD 44,698 thousand (31.12.14: USD 12,530 thousand).

During the year of 2015, the Bank paid no dividends to the sole shareholder (2014: nil). No dividend in respect of 2015 is proposed to be paid.

Risk management, branches and future developments

Information regarding risk management, branches and future developments has been included in the Strategic report.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Bank's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and as endorsed by the EU. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

Going Concern assumption

The directors consider that the going concern basis of accounting is appropriate because there are no material uncertainties related to events that may cast significant doubt on the ability of the Bank to continue as a going concern.

In making this assessment of the Bank's ability to continue to adopt the going concern basis of accounting and of material uncertainties, the directors have considered whether the Bank, and the Group as a whole, have access to adequate resources to enable continuing operation for the foreseeable future. In this regard, the directors have considered the adequacy of the regulatory capital held and the ability to continue to access the required level of funding, including access to the liquidity and capital of the parent as required. In particular, this assessment has taken into consideration three-year forecasts for the Bank's capital and funding positions under both normal and stress environments. Additionally, the Bank actively monitors and manages threats to its business model, future performance, solvency and liquidity, and the directors believe that the Bank is well placed to manage these risks successfully.

Having considered these matters, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board of Directors:

Renato Lulia Jacob - Director and CEO

Date: 20 April 2016

Consolidated Financial Statements 2015

Consolidated Balance Sheet

USD'000	Note	As at 31.12.15	As at 31.12.14
ASSETS			
Cash and balances at central banks	5	1 560 576	1 030 226
Trading assets	6	105 991	195 901
Financial assets designated at fair value	7	204 368	275 784
Derivative financial instruments	8	542 667	460 230
Loans and advances to banks	9	936 324	716 940
Loans and advances to customers	10	4 682 474	4 534 808
Financial assets available for sale	11	416 466	387 672
Property, plant and equipment	12	17 833	19 656
Goodwill and Intangible assets	13	92 754	96 323
Investments in associates and subsidiaries	14	25 585	28 443
Current tax assets		9 973	6 538
Deferred tax assets	15	7 945	10 768
Other assets	16	38 976	33 218
Total Assets		**8 641 932**	**7 796 507**
LIABILITIES			
Trading liabilities	17	105 497	195 787
Derivative financial instruments	8	546 840	446 182
Deposits from banks	18	1 349 810	814 265
Customer accounts	19	2 929 676	2 774 571
Debt securities in issue	20	2 502 404	2 259 901
Provisions	30	183	308
Current tax liabilities		10 778	7 091
Deferred tax liabilities	22	14 416	12 504
Subordinated liabilities	21	30 071	30 055
Other liabilities	23	83 441	225 492
Total Liabilities		**7 573 116**	**6 766 156**
EQUITY			
Share capital	25	600 000	600 000
Revaluation reserves	26	(5 817)	393
Other reserves	27	489 350	493 845
Accumulated losses		(14 717)	(63 909)
Total Equity attributable to owners of the parent		**1 068 816**	**1 030 329**
Non-controlling interests	28	-	22
Total Equity		**1 068 816**	**1 030 351**
Total Liabilities and Equity		**8 641 932**	**7 796 507**

The consolidated financial statements on pages 28 to 31 were approved by the Board of Directors on 20 April 2016 and were signed on its behalf by:

Renato Lulia Jacob - Director and CEO

Consolidated Income Statement

USD'000	Note	Year ended 31.12.15	Year ended 31.12.14
Interest income		163 472	130 782
Interest expense		(73 110)	(56 649)
Net interest income	**31**	**90 362**	**74 133**
Fee and commission income		124 083	134 973
Fee and commission expense		(16 094)	(10 590)
Net fee and commission income	**32**	**107 989**	**124 383**
Net income on financial assets at fair value through profit or loss		12 210	11 001
Net income on financial assets available for sale		1 778	675
Net income on other financial operations		3 146	2 617
Net income on financial operations	**33**	**17 134**	**14 293**
Other operating income	**34**	**11 130**	**12 781**
Total operating income		**226 615**	**225 590**
Credit impairment charges and other provisions	**30**	(2 531)	(20 294)
Net operating income		**224 084**	**205 296**
Staff costs	**35**	(97 970)	(108 830)
General and administrative expenses	**36**	(51 855)	(58 095)
Depreciation and impairment of property, plant and equipment	**12**	(3 396)	(3 728)
Amortisation and impairment of intangible assets	**13**	(5 358)	(5 786)
Other operating expenses	**37**	(4 923)	(5 465)
Total operating expenses		**(163 502)**	**(181 904)**
Share of profit in associates	**14**	**59**	**40**
Profit before tax		**60 641**	**23 432**
Income tax	**38**	(15 942)	(10 901)
Profit attributable to owners of the parent		**44 699**	**12 531**
Non-controlling interests	**28**	(1)	(1)
Profit for the year		**44 698**	**12 530**

Consolidated Statement of Comprehensive Income

USD'000	Year ended 31.12.15	Year ended 31.12.14
Profit for the year	**44 698**	**12 530**
Other comprehensive (expense)/income		
Items that will not subsequently be reclassified to profit or loss:		
Remeasurements of post employment defined benefit obligations	(2 450)	(21)
Items that may subsequently be reclassified to profit or loss:		
Available for sale financial assets:		
Fair value gains/(losses)	(3 897)	4 298
Tax effect	859	(779)
Net investment hedge	(212)	(282)
Currency translation differences	(510)	2 006
Total other comprehensive (expense)/income	**(6 210)**	**5 222**
Total comprehensive income for the year	**38 488**	**17 752**
Attributable to:		
Owners of the parent	38 489	17 753
Non-controlling interests	(1)	(1)
Total comprehensive income for the year	**38 488**	**17 752**

Consolidated Statement of Changes in Equity

USD'000	Share Capital	Revaluation reserves	Other reserves	Accumulated losses	Total Equity attributable to owners	Non-controlling interests	Total Equity
Balances on 01.01.15	**600 000**	**393**	**493 845**	**(63 909)**	**1 030 329**	**22**	**1 030 351**
Profit for the year	-	-	-	44 698	44 698	-	44 698
Other comprehensive expense for the year	-	(6 210)	-	-	(6 210)	-	(6 210)
Distribution of 2014 net income to reserves	-	-	(4 495)	4 495	-	-	-
Other movements	-	-	-	(1)	(1)	(22)	(23)
Balances on 31.12.15	**600 000**	**(5 817)**	**489 350**	**(14 717)**	**1 068 816**	**-**	**1 068 816**

USD'000	Share Capital	Revaluation reserves	Other reserves	Accumulated losses	Total Equity attributable to owners	Non-controlling interests	Total Equity
Balances on 01.01.14	**600 000**	**(4 829)**	**493 269**	**(74 681)**	**1 013 759**	**17**	**1 013 776**
Profit for the year	-	-	-	12 530	12 530	-	12 530
Other comprehensive income for the year	-	5 222	-	-	5 222	-	5 222
Distribution of 2013 net income to reserves	-	-	460	(460)	-	-	-
Other movements	-	-	116	(1 298)	(1 182)	5	(1 177)
Balances on 31.12.14	**600 000**	**393**	**493 845**	**(63 909)**	**1 030 329**	**22**	**1 030 351**

Consolidated Statement of Cash Flows

USD'000	**31.12.15**	**31.12.14**
Continuing operations		
Reconciliation of profit before tax to net cash flow from operating activities:		
Profit before tax	**60 641**	**23 432**
Adjustment for non-cash items:		
Credit impairment charges and other provisions	2 531	20 294
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	8 754	9 514
Other non-cash movements	(59)	(40)
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets		
Trading assets, Financial assets available for sale and designated at fair value	44 217	(312 228)
Loans and advances to banks	(319 264)	578 837
Balances at central banks	(530 375)	(459 131)
Loans and advances to customers	(147 339)	(765 224)
Other operating assets	(5 758)	1 668
Increase/(decrease) in operating liabilities		
Trading liabilities	10 368	194 990
Deposits from banks	535 545	(85 553)
Customer accounts	155 105	470 483
Debt securities in issue	242 503	355 413
Other operating liabilities	(142 051)	51 727
Net cash flow from operating activities		
before payment of income tax	**(85 182)**	**84 182**
Income Tax	(10 236)	(6 000)
Net cash flow from operating activities	**(95 418)**	**78 182**
Cash flow from investing activities		
(Purchases) / Sales of fixed assets	(3 500)	(3 634)
Net cash flow from investing activities	**(3 500)**	**(3 634)**
Cash flow from financing activities		
Interest from financing activities	16	(4)
Net cash flow from financing activities	**16**	**(4)**
Effects of exchange rate change on cash and		
cash equivalents	(1 003)	190
Increase/(decrease) in cash and cash equivalents	**(99 905)**	**74 734**
Cash and cash equivalents at beginning of the year	307 213	232 479
Cash and cash equivalents at end of the year	207 308	307 213
Cash	124	149
Loans and advances to banks repayable on demand	207 184	307 064
Increase/(decrease) in cash and cash equivalents	**(99 905)**	**74 734**

Notes to the Consolidated Financial **Statements**

(amounts expressed in thousands of US dollars "USD")

Note 1 - Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), the Interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and the Companies Act 2006 applicable to companies reporting under IFRS.

Standards and interpretations recently issued

a) The following standards, amendments and interpretations became effective as of 1 January 2015. None of these has had a material impact on the Group's financial statements:

Annual Improvements 2011 - 2013. The 2011-2013 annual improvements affect: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRIC 21 (new), 'Levies'. Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment.

b) The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 February 2015, but the Group has not early adopted. Material impacts are not expected with the adoption of these new standards and amendments:

Annual Improvements 2010 - 2012, (generally effective for annual periods beginning on or after 1 February 2015). The 2010-2012 annual improvements affect: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and 38, and IAS 24.

IAS 19 (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 February 2015). This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are not associated to the number of years of service.

IAS 1 (amendment), 'Disclosure initiative' (effective for annual periods beginning on or after 1 January 2016). This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, the disclosure of accounting policies and OCI items presentation when arising from investments measured at equity method.

IAS 16 and IAS 38 (amendment), 'Acceptable methods of depreciation and amortisation calculation' (effective for annual periods beginning on or after 1 January 2016). This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. It shall be applied prospectively.

IAS 27 (amendment), 'Equity method in separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively.

IFRS 11 (amendment), 'Accounting for the acquisition of interests in joint operations (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, through the application of IFRS 3's principles.

Annual Improvements 2012 - 2014, (effective for annual periods beginning on or after 1 January 2016). The 2012-2014 annual improvements affect: IFRS 5, IFRS 7, IAS 19 and IAS 34.

c) The following standards have not been endorsed by the European Union and so were not adopted by the Group in the year ended 31 December 2015. Except for the effect of the application of IFRS 9, which at this stage is not possible to precisely estimate, no material impacts are expected as a result of the adoption of these standards:

Amendment to IFRS 10, 12 and IAS 28, 'Investment entities: applying consolidation exception'' (effective for annual periods beginning on or after 1 January 2016). This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities applies to an intermediate parent which is a subsidiary of an investment entity. The policy choice to apply the equity method, under IAS 28, is extended to an entity which is not an investment entity, but has an interest in an associate, or joint venture, which is an investment entity.

IFRS 9 (new), 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition.

IFRS 15 (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

Basis of measurement

These consolidated financial statements have been prepared on a going concern basis (as detailed in the Strategic Report and the Directors' Report) and under the historical cost convention, as modified by the revaluation of financial assets available for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and sources of uncertainty

The preparation of the Group's consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 2.12.**

Scope of consolidation

For the purpose of these consolidated financial statements, the term "Group" refers to Itau BBA International plc together with its subsidiaries. Details of the Group's subsidiaries are set out below.

- **Banco Itaú International,** headquartered in Miami, was acquired in May 31, 2007 through an agreement with Bank of America Corporation. Its main activity is to perform operations in the Private Banking segment. Its share capital of USD 42 m is represented by 420,000 shares of USD 100 each, fully subscribed and paid by the Bank.

- **Itaú International Securities Inc.** is headquartered in Miami and was incorporated in September 2008.The company is licensed to perform brokerage services. Its share capital of USD 1,000 is represented by 100,000 shares of USD 0.01 each, fully subscribed and paid by the Bank.

- **Banco Itaú (Suisse) SA,** based in Zurich, Switzerland, operates in the Private Banking segment. It was established on September 15, 2010. Its share capital of CHF 177 m is represented by 17,700 shares of CHF 10,000 each, fully subscribed and paid by IE Luxembourg.

- **Itaú Europa Luxembourg, S. A.** ("IE Luxembourg") has its registered office in Luxembourg. IE Luxembourg share capital is USD 97.67 m, fully subscribed and paid, represented by 9,767 ordinary shares of USD 10,000 each, fully subscribed and paid by the Bank. IE Luxembourg surrendered its banking licence in May 2014.

- **Itau BBA International (Cayman) Ltd.** was incorporated in July 1996, under the name BIE-Bank & Trust Ltd. The share capital of Itau BBA International (Cayman) Ltd. in the amount of USD 2 m is represented by 2,000,000 shares of USD 1 each, fully subscribed and paid by Itau BBA International plc. In December 2013, its banking and trust licence was cancelled and it has currently no activity.

Note 2 - Main Accounting Policies

The following accounting policies are applicable to the financial statements of the Group. The policies are consistent with those applied by the Group in its 2014 Consolidated Annual Report, unless otherwise stated.

2.1. Consolidation basis

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When preparing consolidated financial statements, the Group uses uniform accounting policies for reporting like transactions and other events in similar circumstances. Intragroup balances and transactions are eliminated.

The value of the capital, reserves and net results corresponding to the shares of third parties in these companies is presented under the item Non-controlling Interests.

b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Even when the voting rights are less than 20%, the Group may exercise significant influence through participation in the management or in the composition of the Boards of Directors with executive powers. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

c) Consolidation and revaluation differences - Goodwill

The Group registers the acquisitions of subsidiaries by the purchase method. The cost of acquisition is the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities, and contingent liabilities are measured initially by the acquirer at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess cost of acquisition over the Group's share of the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Under the acquisition method, the initial recognition of a subsidiary can be determined at the end of the year when the acquisition occurred. The Group has up to twelve months after the date of acquisition to recognise the final treatment for those preliminary values, as determined by IFRS 3 - *Business Combinations.*

For associates, goodwill is included in the book value of the investment, determined by the equity method.

Goodwill is recognised as an asset and reviewed annually for impairment under the terms of IAS 36 – *Impairment of assets,* IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 8 – *Operating Segments.* According to IFRS 3 – *Business Combinations,* goodwill is not amortised.

For subsidiaries and associates, positive consolidation differences – negative goodwill are immediately recognised in the income statement.

2.2. Financial Assets and Liabilities

Financial assets and liabilities are recognised on the balance sheet at their trade or settlement date, unless it is expressly stipulated in the contract or applicable law or regulations that the rights and obligations associated with the values transacted are transferred at a different date, in which case this will be the relevant date.

Initially, financial assets and liabilities are recognised at fair value plus directly attributable transaction costs, except for assets and liabilities measured at fair value through profit or loss, in which case transaction costs are immediately recognised in profit and loss.

Fair value means the amount for which a particular asset or liability can be transferred or settled between equally knowledgeable counterparties interested in performing that transaction. On the contract date or operation start date, the fair value is generally the transaction value.

The fair value is determined on the basis of:

- active market prices; or
- evaluation methods and techniques (when there is no active market), considering:
    - mathematical calculations based on recognised financial theories; or,
    - prices calculated on the basis of similar assets or liabilities traded on active markets or on the basis of statistical estimates or other quantitative methods.

A market is considered active, and therefore liquid, if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In general, there are market prices for securities and derivatives (futures and options) traded on stock markets.

In particular circumstances, the fair value of a financial instrument at inception may differ from the transaction price, mainly due to the existence of a built-in fee, originating a day one profit.

The Group recognises in the income statement the gains arising from the built-in fee (day one profit), generated on the trading of financial products. The fair value of these instruments and therefore the built-in fee is determined at inception, based on valuation techniques whose variables are based only on market observations.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when, even retaining the contractual rights to receive the cash flows, it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

a) Financial assets held for trading and at fair value through profit or loss and Financial liabilities held for trading and at fair value through profit or loss

Financial assets held for trading and at fair value through profit or loss include essentially:

- fixed income securities and variable income securities classified as held for trading, acquired with the purpose of being sold in the near future;
- fixed income securities and variable income securities traded on active markets and which the Group chooses, in the initial recognition, to record and evaluate at fair value through profit or loss (fair value option);
- trading derivatives; and
- embedded derivatives.

Financial liabilities held for trading and at fair value through profit or loss include essentially:

- financial liabilities supported with the purpose of repurchase in the near future;
- financial liabilities which the Group choose, in the initial recognition, to record and evaluate at fair value through profit or loss;
- trading derivatives; and
- embedded derivatives.

The use of the fair value option is limited to those financial instruments that meet one or more of the following conditions:

- the fair value option designation eliminates or significantly reduces an accounting mismatch;
- a group of financial assets, financial liabilities, or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; or
- if a contract contains one or more embedded derivatives, which according to IAS 39 – *Financial Instruments: Recognition and Measurement* have to be separated.

Derivatives that are embedded in other financial instruments are treated separately whenever the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract and that contract is not measured at fair value through profit or loss. These embedded derivatives are recognised at fair value (with changes in fair value recognised in the income statement) and presented as trading derivatives.

The valuation of these assets and liabilities is performed daily, based on the fair value. In the case of bonds and other fixed income securities, the book value includes the amount of interest incurred and not collected.

The gains and losses resulting from the change in fair value are recognised in profit and loss, as well as any interest and dividend revenues.

b) Financial assets available for sale

The financial assets available for sale are those non-derivative financial assets that:

- the Group has the intention to keep for an undetermined period of time;
- are designated as available for sale at the initial recognition; and

- are not classified as: loans and other receivables, held to maturity investments or financial assets at fair value through profit or loss.

The assets classified as available for sale are carried at fair value. The gains and losses resulting from changes in fair value are recognised directly in equity in the revaluation reserve, except in the case of losses by impairment and of exchange gains and losses of monetary assets, which are recognised directly in profit and loss. When the asset is sold, the gains and losses still recorded in equity are removed and recorded in profit and loss.

The interest earned from bonds and other fixed income securities and the differences between acquisition cost and nominal value (premium or discount) are recorded in profit and loss, using the effective interest rate method.

c) Loans and other receivables

This item covers the loans granted by the Group to Customers and Credit Institutions, participations in syndicated loans and loans represented by securities (commercial paper and bonds issued by companies) that are not traded on an active market and for which there is no intention to sell.

Initially, loans and receivables are recorded at fair value. In general, the initial fair value corresponds to the value of the transaction and includes commissions, fees or other costs and income associated with the loans. Subsequently, they are stated at amortised cost, using the effective interest rate method and subject to impairment tests.

The interest, commissions and other costs and income associated with loans are accrued over the life of operations, irrespective of the moment when they are collected or paid.

The Group classifies as overdue, credit instalments of capital and interest immediately after they fall due.

d) Other financial liabilities

This item includes deposits from Banks, customer accounts, debt securities in issue and subordinated liabilities. These financial assets are initially recognised at fair value, including transaction expenses and commissions, and subsequently carried at amortised cost.

Any difference between the amount received net of transaction costs and the amount to pay at maturity, is recognised in the income statement during the life of the liability through the effective interest rate method.

If the Group repurchases issued debt, the amount is derecognised from the balance sheet and the difference between the book value of the liability and its cost of acquisition is recognised in profit or loss.

e) Securities under repurchase and resale agreements

Securities sold with repurchase agreements (“repos”) are maintained in their original securities portfolio. Funds received are recorded at the settlement date, in the corresponding liability caption, while interest is accrued.

Securities purchased with resale agreements (“reverse repos”) are not recognised in the securities portfolio. Funds paid are recorded at the settlement date, as loans, while interest is accrued.

2.3. Guarantees given and irrevocable commitments

Responsibilities for guarantees given and irrevocable commitments are recorded in off-balance sheet accounts for the value at risk. Commissions and other related revenue are recorded in profit and loss over the life of the operations.

2.4. Impairment

A financial asset (or group of financial assets) is impaired whenever there is objective evidence that the estimated future cash flows of the financial asset (or group of financial assets) will not be recovered, as a result of past events occurring after the date of the financial assets (or group of financial assets) initial recognition, and can be estimated reliably.

The Group regularly evaluates whether there is objective evidence that a financial asset (or group of financial assets) is impaired. In the case where financial assets present signs of impairment, the respective recoverable value is determined, while impairment losses (difference between the financial asset’s recoverable amount and the balance sheet value) is recorded as a charge in the income statement.

In the identification of impairment situations, various indicators are used, such as:

i) analysis of default;

ii) rating downgrade;

iii) issuer’s/debtor’s financial difficulties;

iv) probability of the issuer’s/debtor’s default; or

v) for an investment in an equity instrument:

a) the existence of information concerning significant alterations having an adverse impact, which have taken place in the technological, market, economic or legal environment in which the issuer operates; and

b) a significant or prolonged decline in the fair value to below its cost of acquisition and which indicates that the cost of the investment in the equity instrument may not be recovered.

In analysing the existence of impairment in a group of financial assets, the Group estimates the probability of an operation or customer in an irregular situation defaulting during the emerging period (estimated period between the occurrence of the loss and its identification). In general, the emerging period used by the Group is roughly 12 months.

a) Loan portfolio

The Group’s loan portfolio is reviewed on a regular basis, with each operation being analysed individually to identify whether impairment may exist.

In the cases in which there is objective evidence of impairment, as a result of one or more events occurred after the initial recognition of the asset, an impairment calculation is performed to determine the amount of the impairment loss, which is measured by the difference between the amount the asset is recorded in the books and the present value of its recoverable future cash flows, discounted at the original effective rate of interest.

In the cases where there is no objective evidence of impairment, a portfolio analysis is performed, to recognise any losses not yet identified in terms of individual operations, as follows: the Group considers homogenous segments (operations with similar credit-risk characteristics) which are based on the internal rating, to obtain the Expected Loss ("EL"). Due to a paucity of data in the Group regarding losses incurred, stemming from the insignificant historical level of overdue loans and defaults recorded, the internal ratings information is provided by the Itaú Group. The EL is calculated using the Balance Sheet amount excluding accrued interest ("BS"), the Probability of Default ("PD") associated with the internal rating and the Loss Given Default ("LGD"), by applying the following formula: EL = BS x PD x LGD.

If, in a subsequent period, the amount of the impairment loss decreases and such decrease can be objectively related to an event occurring after recognition of the impairment, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

When a loan is considered uncollectible (no reasonable expectation of recovery), it is written off through utilisation of the loan impairment allowance. This write-off only takes place after all the necessary steps have been taken and the amount of the loss has been determined.

b) Financial assets available for sale

A periodic analysis of financial assets available for sale is performed with a view to identifying potential impairment situations. For equity instruments, the Group considers a significant decline to be when the fair value is less than 60% of the cost of acquisition, and a prolonged decline when this lasts for more than 12 months, indicating that the cost of the investment in the equity instrument may not be recovered. Where evidence of impairment exists, the accumulated unrealised loss in the revaluation reserve is removed from equity and recognised in the income statement for the period. If, in a subsequent period, the amount of the impairment loss decreases, the impairment loss previously recognised is reversed in the income statement of the period up until the reinstatement of the acquisition cost if the increase was objectively related to an event which occurred after the recognition of the impairment loss, except with respect to shares or other equity instruments, in which case the amount recovered is recognised in the revaluation reserve.

c) Investments in associates

The decline in the value of investments in associates is verified by comparing their recoverable amount with their carrying amount, provided there is evidence that the investment may have been impaired.

In order to determine evidence of impairment, a test is carried out to determine its value in use, which includes market appraisals and those carried out internally or by independent appraisers, based on:

- **i)** The corresponding portion of the present value of the cash flows expected to be generated by the associate, which include the estimated future cash flows from operating activities and the amounts resulting from the final sale or disposal by any other means of the investment; or

- **ii)** The present value of the estimated future cash flows expected to be received as dividends from the investment and as amounts of the final sale or disposal by any other means of the investment.

The impairment losses on this type of asset are reversed if there are changes in the estimates used to determine the recoverable amount. Both the impairment loss and the reversal of an impairment loss are recognised in the income statement. In this respect, an impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the amount that would appear in the accounting records if the aforementioned impairment loss had not been previously recognised.

2.5. Debt securities issued by the Group

The bonds issued by the Group are recorded in the items subordinated liabilities, debt securities in issue and trading liabilities (in the case of some structured notes).

The trading liabilities correspond to structured notes issued by the Group under a Structured Medium Term Note Programme, where the Group passes to the client all the income and risks regarding the underlying asset.

The Structured financial instruments recorded as debt securities in issue correspond to bonds with embedded derivatives issued by the Group. The embedded derivatives are separated from the respective instrument, since those are not closely related to the host contract, and the derivatives' terms qualify for a stand-alone instrument.

With the exception of the trading liabilities, the bonds issued are valued, on issue date, at fair value (value of the issue), including expenses and transaction commissions, being subsequently valued at amortised cost, using the effective interest rate method.

2.6. Hedge accounting

According to IAS 39 – Financial Instruments: Recognition and Measurement, a hedge relationship exists when:

- at the beginning of the relationship the hedge is formally documented;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured; and
- the hedge is highly effective throughout the financial reporting period.

There are three categories of hedge:

fair value hedge – in a fair value hedge operation, the carrying amount of the hedged asset or liability, determined by the respective accounting policy, is adjusted to reflect its fair value change attributable to the hedged risk. Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the derivative is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. If the hedged asset or liability is a fixed income instrument, the revaluation adjustment is amortised until maturity by the effective interest rate method.

cash flow hedge – in a cash flow hedge operation, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity and recycled in the income statement in the periods when the hedged item affects profit or loss. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement and the hedging instrument is transferred to the trading portfolio.

hedge of a net investment in a foreign operational unit – hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Effectiveness tests are appropriately documented on a regular basis, assuring the existence of evidence during the life of the hedged operations. If the hedge no longer meets the hedge accounting criteria, it must be discontinued prospectively.

2.7. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in USD, which is the Bank's functional and presentation currency.

(b) Transactions and balances expressed in foreign currency

Financial assets and liabilities in foreign currencies are recorded in accordance with the principles of the multicurrency system, that is, in their currencies.

Income and costs calculated in the different currencies are converted to USD at the exchange rate for the day on which they are recognised.

The accounting procedures differ depending on the effect of the operations on the foreign exchange position:

- Spot Position

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

- Forward Position

The forward foreign exchange position in each currency is given by the net balance of the forward operations awaiting settlement, excluding those due within the next two working days. All the contracts concerning these operations are revalued at the market forward exchange rates or, in their absence, through calculation based on interest rate differentials applicable to the residual maturity of each operation. Unrealised gains and losses are recorded in a foreign exchange position revaluation account, in the balance sheet, against profit and loss.

(c) Subsidiaries

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the balance sheet date closing rate;

- income and expenses for each income statement are translated at average exchange rates; and

- all resulting exchange differences are recognised in other comprehensive income.

2.8. Tangible assets

The tangible assets used by the Group to conduct its activities are valued in the financial statements at cost (including directly attributable costs) less accumulated depreciation and impairment losses.

The depreciation of tangible assets is recorded on a straight line basis over their estimated useful life, corresponding to the period in which the asset is expected to be available for use:

	Useful life (years)
Buildings (*)	5-50
Furniture and Fixtures	4-9
Machinery and tools	7
Computer Equipment	3-5
Furnishings	5-10
Safety Equipment	4
Other Equipment	3-12

(*) includes Leasehold improvements

2.9. Intangible assets

The Group records in this item essentially software and "Intangible IPB" - a core deposit premium and client relationships identified as intangible following the acquisition of Private Banking portfolios.

Software is amortised on an annual straight line basis, over the estimated useful life of the asset which, in general, corresponds to a period of three to five years. Intangible IPB was initially recorded at fair value and is amortised on a straight line basis over its estimated useful life of 12 years.

2.10. Cash and cash equivalents

Cash and cash equivalents include the amounts recorded in the balance sheet with maturity of less than three months from the balance sheet date, including cash and available funds in other Credit Institutions.

2.11. Income taxes

Current tax is recognised as an expense in the period in which the profits arise, and is calculated based on the tax rate in place, in the countries where the Group is present.

Deferred tax assets and liabilities correspond to the value of the tax recoverable and payable in future periods, resulting from temporary differences between the value of an asset or liability on the balance sheet and its tax base. Tax losses to be carried forward and tax credits are also recorded as deferred tax assets.

Deferred tax assets are recognised up to the amount for which it is likely that there will be future taxable profit to accommodate deductible temporary differences.

Deferred tax assets and liabilities are calculated based on tax rates set for the period in which the corresponding asset or liability is expected to be realised.

Deferred taxes are recognised in profit and loss except those related to amounts registered directly in equity (in particular financial assets available for sale).

Changes in tax legislation and rates are recognised in the statement of income under Income tax in the period in which they are enacted.

2.12. Main estimates and uncertainties associated with the application of accounting policies

In the preparation of the Group's financial statements, expected future estimates and amounts are used, particularly in the following areas:

a) Loan impairment:

The amount of loan impairment is determined on the basis of estimates of the amount to be recovered (see **Note 2.4**). These estimates are made based on certain assumptions. Any differences between these assumptions and the future performance of the loans have an impact on the estimates made.

b) Fair value of derivatives and unlisted financial assets:

The fair value of derivatives and unlisted financial assets is estimated using valuation methods and financial models, the results of which depend on the assumptions used (see **Note 3.2**).

c) Deferred taxes:

Recognition of deferred taxes pre-assumes the existence of profits and future taxable income. Deferred tax assets and liabilities are determined based on current tax legislation for the Group, or on legislation already published for future application. Changes in tax legislation may influence the value of deferred taxes (see **Note 2.11**).

2.13. Provisions for other risks and charges

This item includes provisions to cover other specific risks, namely tax contingencies, legal processes and other losses arising from the Group's activity.

2.14. Responsibilities for post-employment plans

The Group operates post-employment schemes, including both defined contribution and defined benefit pension plans.

The Bank operates a defined contribution plan for permanent employees resident in the UK, only during the employment period with the Bank. The subsidiary Banco Itaú International (Miami) operates a defined contribution plan covering substantially all of its employees. The subsidiary Banco Itaú (Suisse) SA operates a post-employment plan considered to be a defined benefit plan because of the inherent minimum benefits guaranteed by Swiss law.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan, and generally creates an obligation to provide agreed benefits do employees, placing actuarial risk on the Group.

For defined contribution plans, the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

2.15. Share-based remuneration plan

Executive Directors and other senior managers of the Bank, under certain conditions, have up to 50% of the variable remuneration deferred for three years. This variable remuneration payment plan falls within the scope of IFRS 2 – *Share-based Payment* and corresponds to a cash payment based on shares (cash-settled share-based payment).

Since the Bank does not have shares listed on the stock market and its activity is fully aligned to the strategy and objectives of Itaú Unibanco, its ultimate shareholder, the payment of variable remuneration is made using an instrument linked to preference shares of Itaú Unibanco (the "Instrument"). This Instrument represents a promise of a cash payment made by the Bank to the beneficiaries, the value of which is determined by reference to the price fluctuation of Itaú Unibanco preference shares plus dividends.

The Instrument consists of three tranches, each representing one third of the deferred amount of variable remuneration. The first tranche shall vest on the first anniversary of the date on which the non-deferred cash portion of the variable remuneration was paid (the "Bonus date"). The second and third tranches shall vest on the second and third anniversaries of the Bonus date respectively.

Notwithstanding the above, the amount which would have become payable pursuant to the Instrument or any tranche thereof, is subject to certain conditions set out in the Bank's remuneration policy, and may be reduced, including to nil, in the circumstances set out in that policy. This amount shall be calculated at the absolute discretion of the Bank and paid to the beneficiaries in the currency in which the respective variable remuneration was approved.

The fair value of this benefit, determined on the date of its assignment, is charged to the income statement as staff costs, linearly from the start of the year of the program until the respective vesting date. The resulting liability is revalued at each balance sheet date, with the changes in fair value recognised in net income.

The private banking subsidiaries – Banco Itaú International and Banco Itaú (Suisse) SA – also operate a share-based remuneration plan, aligned with that of the Bank.

Note 3 - Strategy in the use of financial instruments

3.1. Assets and liabilities by the categories of IAS 39

By nature, the activities of the Group are mainly concerned with the use of financial instruments, including derivatives.

The Group accepts deposits from financial institutions and customers, at fixed and floating interest rates and for various tenors, and it seeks to obtain above average margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and offering loans for longer periods at higher interest rates, as it ensures sufficient liquidity to meet its obligations.

The Group also seeks to increase its margins by lending to customers. These exposures also involve guarantees and other commitments.

The Group trades financial instruments including derivatives, to benefit from short-term exchange rate movements, as well as interest rate and price variations. Included in this strategy, the Group manages a risk-free portfolio of back-to-back derivatives with corporate and private customers on one side, and with institutional clients on the other, seeking profit on the bid/ask spread. The Board of Directors sets limits on the level of overnight and intraday exposure to the market.

The Group also manages a buffer of high quality liquid financial assets available for sale, which the Bank is required to hold to ensure that it meets the regulator's tolerance for liquidity risk.

In the context of the Group's strategy in the use of financial instruments, the following tables show the Group's assets and liabilities as of 31 December 2015 and 2014, by the different categories of financial instruments.

Assets and liabilities by the categories of IAS 39

	Recognised at fair value through P&L							
31.12.15	Trading	Fair value option	Hedging	Loans and receivables	Financial assets available for sale	Other financial liabilities	Non-Financial Assets/ Liabilities	Total
Cash and balances at central banks	-	-	-	1 560 576	-	-	-	1 560 576
Trading assets	105 991	-	-	-	-	-	-	105 991
Financial assets designated at fair value	-	204 368	-	-	-	-	-	204 368
Derivative financial instruments	542 358	-	309	-	-	-	-	542 667
Financial assets available for sale	-	-	-	-	416 466	-	-	416 466
Loans and advances to banks	-	-	-	936 324	-	-	-	936 324
Loans and advances to customers	-	-	-	4 682 474	-	-	-	4 682 474
Other assets	-	-	-	-	-	-	193 066	193 066
Total Assets	**648 349**	**204 368**	**309**	**7 179 374**	**416 466**	-	**193 066**	**8 641 932**
Trading liabilities	105 497	-	-	-	-	-	-	105 497
Derivative financial instruments	541 687	-	5 153	-	-	-	-	546 840
Deposits from banks	-	-	-	-	-	1 349 810	-	1 349 810
Customer accounts	-	-	-	-	-	2 929 676	-	2 929 676
Debt securities in issue	-	-	-	-	-	2 502 404	-	2 502 404
Subordinated liabilities	-	-	-	-	-	30 071	-	30 071
Other liabilities	-	-	-	-	-	-	108 818	108 818
Total Liabilities	**647 184**	-	**5 153**	-	-	**6 811 961**	**108 818**	**7 573 116**

Assets and liabilities by the categories of IAS 39

31.12.14	Recognised at fair value through P&L: Trading	Recognised at fair value through P&L: Fair value option	Recognised at fair value through P&L: Hedging	Loans and receivables	Financial assets available for sale	Other financial liabilities	Non-Financial Assets/ Liabilities	Total
Cash and balances at central banks	-	-	-	1 030 226	-	-	-	1 030 226
Trading assets	195 901	-	-	-	-	-	-	195 901
Financial assets designated at fair value	-	275 784	-	-	-	-	-	275 784
Derivative financial instruments	459 493	-	737	-	-	-	-	460 230
Financial assets available for sale	-	-	-	-	387 672	-	-	387 672
Loans and advances to banks	-	-	-	716 940	-	-	-	716 940
Loans and advances to customers	-	-	-	4 534 808	-	-	-	4 534 808
Other assets	-	-	-	-	-	-	194 946	194 946
Total Assets	**655 394**	**275 784**	**737**	**6 281 974**	**387 672**	**-**	**194 946**	**7 796 507**
Trading liabilities	195 787	-	-	-	-	-	-	195 787
Derivative financial instruments	439 982	-	6 200	-	-	-	-	446 182
Deposits from banks	-	-	-	-	-	814 265	-	814 265
Customer accounts	-	-	-	-	-	2 774 571	-	2 774 571
Debt securities in issue	-	-	-	-	-	2 259 901	-	2 259 901
Subordinated liabilities	-	-	-	-	-	30 055	-	30 055
Other liabilities	-	-	-	-	-	-	245 395	245 395
Total Liabilities	**635 769**	**-**	**6 200**	**-**	**-**	**5 878 792**	**245 395**	**6 766 156**

3.2. Fair value of financial assets and liabilities

In determining the fair value of a financial asset or liability, if an active market exists, the market price is applied. In the absence of an active market, generally accepted valuation techniques are used, based on market assumptions.

The Group applies valuation techniques for unlisted financial assets, namely for derivatives, other financial instruments at fair value through profit or loss and available for sale financial assets. The most common valuation models are the discounted cash flows model and option price calculation models which incorporate interest rate curves and market volatilities.

3.2.1. Financial assets and liabilities not measured at fair value

The fair value of financial assets and liabilities not measured at fair value in the financial statements is presented below, with the respective differences to its book value:

Financial Assets and Liabilities not measured at Fair Value

	31.12.15			31.12.14		
	Fair Value	Accounting Value	Difference	Fair Value	Accounting Value	Difference
Financial Assets						
Cash and balances at central banks	1 560 576	1 560 576	-	1 030 226	1 030 226	-
Loans and advances to banks	936 352	936 324	28	718 342	716 940	1 402
Loans and advances to customers	4 689 186	4 682 474	6 712	4 543 546	4 543 808	8 738
Financial Liabilities						
Deposits from banks	1 350 027	1 349 810	217	814 657	814 265	392
Customer accounts	2 930 212	2 929 676	536	2 775 085	2 774 571	514
Debt securities in issue	2 505 818	2 502 404	3 414	2 267 902	2 259 901	8 001
Subordinated liabilities	30 230	30 071	159	30 055	30 055	25

a) Loans and advances to banks

The book value of loans and advances to banks repayable on demand and overnight deposits is considered a reasonable estimate of its fair value. For term loans, the expected cash flows are discounted at current market rates, plus the initial spread, to determine its fair value.

b) Loans and advances to customers

Loans and advances to customers are presented net of impairment. The expected cash flows are discounted at current market rates, plus the initial spread, to determine its fair value.

c) Deposits from banks and Customer accounts

The book value of deposits without defined maturity (including demand deposits) is considered a reasonable estimate of its fair value. For time deposits, the expected cash flows are discounted at current market rates, plus the initial spread, to determine its fair value.

d) Debts securities in issue and Subordinated liabilities

The expected cash flows are discounted at current market rates, plus the initial spread, to determine the fair value of issued debt securities and subordinated liabilities.

3.2.2. Financial assets and liabilities measured at fair value

The following table classifies the measurement of fair value, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Assets and Liabilities measured at Fair Value

	31.12.15				31.12.14			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading assets								
- Debt Securities	55 298	38 633	-	93 931	118 127	49 997	-	168 124
- Equity instruments	12 060	-	-	12 060	27 777	-	-	27 777
Financial assets designated at fair value								
- Debt Securities	204 368	-	-	204 368	275 784	-	-	275 784
Financial assets available for sale								
- Debt securities	416 466	-	-	416 466	384 556	-	3 116	387 672
Derivative financial instruments	419	542 248	-	542 667	339	459 891	-	460 230
Total assets at fair value	688 611	580 881	-	1 269 492	806 583	509 888	3 116	1 319 587
Trading liabilities	66 867	38 630	-	105 497	145 790	49 997	-	195 787
Derivative financial instruments	8 688	538 152	-	546 840	13 080	433 102	-	446 182
Total liabilities at fair value	75 555	576 782	-	652 337	158 870	483 099	-	641 969

The following table shows Level 3 financial assets disaggregated by balance sheet classification and product type

Level 3 financial assets

	31.12.15	31.12.14
Financial assets available for sale		
- Credit institution subordinated bonds	-	3 116
Total assets	-	3 116

Debt securities classified in Level 3 are comprised of a credit institution subordinated bond, booked in the portfolio of financial assets available for sale (see **Note 11**). This debt was 35% provisioned until November 2015, when its reassessment led to a decision to book an additional 65% impairment, recognised as an impairment loss in the income statement, to ensure a 100% coverage of the total risk incurred in this transaction (see **Note 30**).

The following table summarises the movements in the Level 3 balance during the year:

Movements in level 3 financial assets

	31.12.15	31.12.14
As at 1 January	3 116	2 644
Transfers	-	-
Total gains and losses recognised		
in the income statement	(3 116)	(326)
Total gains and losses recognised		
in other comprehensive income	-	798
As at 31 December	-	3 116

The valuation techniques used for the material products within Levels 2 and 3 are described as follows:

Interest rate derivatives:

Description: These are derivatives linked to interest rates. This category includes interest rate swaps, caps, floors and options (interest rate futures are categorized under Level 1 financial assets and liabilities).

Valuation: Interest rate derivative cash flows are valued using interest rate yield curves whereby observable market data is used to construct the term structure of forward rates. This is then used to project and discount future cash flows based on the parameters of the trade. Instruments with optionality are valued using volatilities implied from market observable inputs. Exotic interest rate derivatives are valued using industry standard and bespoke models based on observable and unobservable market parameter inputs. Input parameters include interest rates, volatilities, correlations and others as appropriate. Where unobservable, a parameter will be set with reference to an observable proxy. Inflation forward curves and interest rate yield curves are extrapolated beyond observable tenors.

Foreign exchange derivatives:

Description: These are derivatives linked to the foreign exchange (FX) market. This category includes FX forward contracts, FX and Cross-currency swaps, FX options traded as OTC derivatives and FX futures (BM&F ("*Bolsa de Mercadorias e Futuros*") USD/BRL futures). Due to the lack of liquidity, longer term BM&F futures are included in level 2, with the remaining FX futures being classified as level 1 financial assets and liabilities.

Valuation: Foreign exchange derivatives are valued using industry standard and modified models. Input parameters include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate.

Credit derivatives:

Description: These are derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities. This category currently includes single name Credit Default Swaps (CDS).

Valuation: CDS are valued using a market standard model that incorporates the credit curve as its principal input. All credit spreads are observed directly from broker data.

Equity derivatives:

Description: These are derivatives linked to equity indices, baskets and single names. This category includes equity swaps and OTC equity options.

Valuation: The valuations of OTC equity derivatives are determined using industry standard models. Input parameters include stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations.

Note 4 - Segment Reporting

Business segments are the basis of the main segmentation of consolidated financial statements, coincident with the first level of breakdown of the Group's management information.

A business segment is an identifiable component of the Group that is designated to deliver a particular product or service or a set of related products or services, and is subject to risks and benefits that can be differentiated from those of other business segments.

The Group is divided into the following business segments:

Corporate & Investment Banking - This segment focuses on Wholesale banking offered both to Latin American companies seeking to undertake business in Europe, and multinational companies aiming to pursue transactions in Latin America. The products and services provided include credit products, guarantees, commitments, and related products; financial derivatives, with an emphasis on hedging instruments for FX and interest rate risks of client subsidiaries in Latin America; advisory services related to investment/disinvestment processes in Latin America; assistance to European clients seeking to access other products and services (e.g. cash management, FX, etc.) for their subsidiaries doing business in Latin America.

International Private Banking – Business segment operated through the private banking subsidiaries Banco Itaú International (encompassing the operations of Itaú International Securities Inc.) and Banco Itaú (Suisse) SA, focused on the provision of financial advice and asset management services to high net-worth individuals from several countries in Latin America where the Itaú Group is present.

Others - This is a residual segment that corresponds to the financial stake in the associate Itaúsa Portugal Investimentos – SGPS, Lda. ("IPI").

The business segment reporting of the Group is detailed as follows:

Business Segments

	31.12.15				
	CIB	**IPB**	**Others**	**Eliminations**	**Total**
Interest external income	133 066	32 622	-	-	165 688
Interest intra-segment income	18	87	-	(2 321)	(2 216)
Total interest income	133 084	32 709	-	(2 321)	163 472
Interest segment costs	(73 724)	(1 707)	-	2 321	(73 110)
Net interest income	59 360	31 002	-	-	90 362
Total fee and commission income	9 859	114 224	-	-	124 083
Fee and commission segment costs	(9 460)	(6 634)	-	-	(16 094)
Net fee and commission income	399	107 590	-	-	107 989
Other operating income	6 361	5 323	-	(554)	11 130
Net income on financial operations	12 046	5 088	-	-	17 134
Total Operating Income	78 166	149 003	-	(554)	226 615
Credit impairment charges and other provisions	(2 531)	-	-	-	(2 531)
Operating expenses	(54 166)	(109 879)	-	543	(163 502)
Share of profit in associates	-	-	59	-	59
Profit/(loss) before tax	21 469	39 124	59	(11)	60 641
Income tax	(4 811)	(11 131)	-	-	(15 942)
Profit/(loss) attributable to owners of the parent	16 658	27 993	59	(11)	44 699
Non-controlling interests	-	(1)	-	-	(1)
Profit/(loss) for the year	16 658	27 992	59	(11)	44 698

	31.12.15				
	CIB	**IPB**	**Others**	**Eliminations**	**Total**
Assets by segment	5 329 654	3 789 356	25 585	(502 663)	8 641 932
Liabilities by segment	4 841 716	3 234 063	-	(502 663)	7 573 116

Business Segments

	31.12.14				
	CIB	IPB	Others	Eliminations	Total
Interest external income	100 498	32 871	-	-	133 369
Interest intra-segment income	12	177	-	(2 776)	(2 587)
Total interest income	100 510	33 048	-	(2 776)	130 782
Interest segment costs	(58 655)	(770)	-	2 776	(56 649)
Net interest income	41 855	32 278	-	-	74 133
Total fee and commission income	13 158	121 815	-	-	134 973
Fee and commission segment costs	(3 491)	(7 099)	-	-	(10 590)
Net fee and commission income	9 667	114 716	-	-	124 383
Other operating income	8 357	5 144	-	(720)	12 781
Net income on financial operations	12 656	1 637	-	-	14 293
Total Operating Income	72 535	153 775	-	(720)	225 590
Credit impairment charges and other provisions	(20 294)	-	-	-	(20 294)
Operating expenses	(66 871)	(115 753)	-	720	(181 904)
Share of profit in associates	-	-	40	-	40
Profit before tax	(14 630)	38 022	40	-	23 432
Income tax	(76)	(10 825)	-	-	(10 901)
Profit/(loss) attributable to owners of the parent	(14 630)	27 197	40	-	12 531
Non-controlling interests	-	(1)	-	-	(1)
Profit/(loss) for the year	(14 706)	27 196	40	-	12 530

	31.12.14				
	CIB	IPB	Others	Eliminations	Total
Assets by segment	4 635 799	3 248 696	28 443	(116 431)	7 796 507
Liabilities by segment	4 164 402	2 718 185	-	(116 431)	6 766 156

The report of geographical information of the Group, based on the customer/asset location, is as follows:

Geographical information

31.12.15	Total assets	Total liabilities	Off-Balance Sheet	Income	Capital expenditure
Europe	2 701 853	1 518 989	375 802	53 378	1 998
North America	2 065 433	206 177	156 000	15 636	1 503
Central America and Caribbean	1 140 814	1 409 894	25 800	8 147	-
South America	2 575 895	1 615 959	62 197	206 331	-
Other countries	75 458	2 712 314 (*)	1 000	4 063	-
Investments in associates	25 585				
Unallocated assets / liabilities	56 894	109 783			
Total	8 641 932	7 573 116	620 799	287 555	3 501

(*) This balance corresponds to securities placed in multiple countries.

Geographical information

31.12.14	Total assets	Total liabilities	Off-Balance Sheet	Income	Capital expenditure
Europe	2 613 759	1 223 891	590 499	58 878	2 615
North America	1 622 764	49 627	359 860	12 468	1 019
Central America and Caribbean	857 114	1 127 567	44 762	9 159	-
South America	2 602 986	1 549 386	174 732	182 130	-
Other countries	20 917	2 568 735 (*)	1 000	3 120	-
Investments in associates	28 443				
Unallocated assets / liabilities	50 524	246 950			
Total	7 796 507	6 766 156	1 170 853	265 755	3 634

(*) This balance corresponds to securities placed in multiple countries.

Note 5 - Cash and balances at central banks

This item is analysed as follows:

Cash and balances at central banks

	31.12.15	31.12.14
Cash	124	149
Demand deposits at European Central Bank	781	1 278
Demand deposits at Other Central Banks	1 559 671	1 028 799
	1 560 576	1 030 226

Note 6 - Trading assets

This item is analysed as follows:

Trading assets

	31.12.15	31.12.14
Debt instruments		
Government bonds	55 298	118 127
Other issuers' bonds	38 633	49 997
Equity instruments		
Shares	12 060	27 777
	105 991	**195 901**

The trading assets correspond to Brazilian Government bonds and Corporate shares used to hedge the Pass-Through and P-Notes. Both Pass-Through and P-Notes are structured notes issued by the Group under a Structured Medium Term Note programme, recorded as trading liabilities (see **Note 17**). The detail of trading assets as of 31 December 2015 and 2014 is as follows:

Trading assets at 31.12.15

Type of Securities	Original Currency	Quantity	Book Value
Debt instruments			
Government bonds			
TESOURO NACIONAL BRASILEIRO	BRL	179 695	55 298
Other issuers' bonds			
KLABIN SA	BRL	1 458 670	38 633
Equity instruments			
HERTZ GLOBAL HOLDINGS INC	USD	18	1
Listed in BOVESPA [1]	BRL	8 925 246	12 059
			105 991

1 Corresponds to multiple corporate shares issued by Brazilian companies and listed in Bolsa de Mercadorias e Futuros Bovespa ("BM&F") - São Paulo, Brazil.

Trading assets at 31.12.14

Type of Securities	Original Currency	Quantity	Book Value
Debt instruments			
Government bonds			
TESOURO NACIONAL BRASILEIRO	BRL	1 74 465	118 127
Other issuers' bonds			
KLABIN SA	BRL	1 458 670	49 997
Equity instruments			
Listed in BOVESPA [1]	BRL	10 197 500	27 777
			195 901

1 Corresponds to multiple corporate shares issued by Brazilian companies and listed in Bolsa de Mercadorias e Futuros Bovespa ("BM&F") - São Paulo, Brazil.

Note 7 - Financial assets designated at fair value

This item is analysed as follows:

Financial assets designated at fair value

	31.12.15	31.12.14
Debt instruments		
Government bonds	204 368	275 784
	204 368	275 784

By designating these assets at fair value through profit or loss, the Group aims to eliminate or substantially reduce the inconsistency in measurement or recognition ("accounting mismatch").

As of 31 December 2015 and 2014, these debt instruments designated at fair value corresponded to government bonds, as follows:

Financial assets designated at fair value at 31.12.15

Type of securities	Original currency	Quantity	Unit values Nominal	Unit values Price	Book value/ fair value	Relevant organised market
Debt instruments						
Government Bonds						
KINGDOM OF BELGIUM 28-6-2017	EUR	30 000 000	1	105.71%	35 032	EURONEXT
FEDERATIVE REPUBLIC OF BRAZIL 1-7-2016	BRL	300 000	64	93.32%	70 680	SAO PAULO
FEDERATIVE REPUBLIC OF BRAZIL 1-1-2018	BRL	406 000	64	73.89%	75 744	SAO PAULO
FEDERATIVE REPUBLIC OF BRAZIL 1-1-2017	BRL	105 000	64	86.43%	22 912	SAO PAULO
					204 368	

Financial assets designated at fair value at 31.12.14

Type of securities	Original currency	Quantity	Unit values Nominal	Unit values Price	Book value/ fair value	Relevant organised market
Debt instruments						
Government Bonds						
KINGDOM OF BELGIUM 28-6-2017	EUR	30 000 000	1	108.76%	40 123	EURONEXT
REPUBLICA FEDERATIVA DO BRASIL 1-1-2015	BRL	321 000	378	100.00%	121 279	SAO PAULO
REPUBLICA FEDERATIVA DO BRASIL 1-1-2016	BRL	150 000	335	88.57%	50 192	SAO PAULO
REPUBLICA FEDERATIVA DO BRASIL 1-7-2015	BRL	180 000	357	94.39%	64 190	SAO PAULO
					275 784	

Note 8 – Derivative financial instruments

The Group holds financial derivatives while carrying out its activities, managing its own positions based on market development expectations, meeting the needs of its customers or hedging positions of a structural nature.

The Group trades financial derivatives over exchange rates, interest rates, stock or stock indices, over inflation or over a combination of all of these. These transactions are carried out either over-the-counter ("OTC") or in organised markets.

Derivatives traded in organised markets follow the standards and rules of those markets. OTC derivatives are normally based on a standard bilateral contract between the parties, usually following International Swaps and Derivatives Association ("ISDA") agreements.

All derivatives are recorded at fair value. Movements in the fair value of derivatives are recognised in the relevant balance sheet accounts with changes through profit and loss. The notional amount is the reference value for the purpose of calculating the cash flows of the transaction and is recorded in off-balance sheet accounts.

Derivatives

	31.12.15 Fair value Assets	31.12.15 Fair value Liabilities	31.12.14 Fair value Assets	31.12.14 Fair value Liabilities
Trading derivatives	223 780	(428 595)	233 920	(318 991)
Embedded derivatives	318 578	(113 092)	225 573	(120 991)
Hedging derivatives	309	(5 153)	737	(6 200)
	542 667	**(546 840)**	**460 230**	**(446 182)**

The Trading derivatives item is analysed as follows:

Trading derivatives

	31.12.15			31.12.14		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Swaps	1 708 993	13 502	(4 259)	1 064 675	15 256	(4 041)
Caps & Floors	13 100	1 654	(282)	46 415	1 753	(256)
Futures						
Purchase	13 500			29 000		
		419	(8 688)		339	(13 080)
Sale	(263 250)			(438 730)		
Exchange rate contracts						
Options - Over-the-counter market						
Call options						
Purchase	597 043			210 045		
		59 501	(59 501)		23 864	(23 864)
Sale	(597 043)			(210 000)		
Put options						
Purchase	49 330			15 800		
		1 441	(1 465)		54	(54)
Sale	(50 586)			(15 800)		
Forwards						
Purchase	491 547			901 018		
		11 100	(15 854)		21 894	(22 255)
Sale	(493 827)			(899 062)		
Swaps						
Purchase	715 083			668 758		
		5 526	(4 861)		16 129	(5)
Sale	(714 230)			(652 480)		
Futures						
Purchase	158 500			135 750		
		-	-		-	-
Sale	-			-		
Cross Currency Swaps	-	28 740	(11 752)	459	25 000	(24 110)
Stock index contracts						
Options - Over-the-Counter Market						
Call options						
Purchase	773 743			637 837		
		57 695	(19 315)		93 999	(28 957)
Sale	(619 740)			(458 840)		
Put options						
Purchase	528 752			350 932		
		31 428	(220 458)		20 205	(163 823)
Sale	(1 336 086)			(1 326 763)		
Equity Swaps	6 405	-	(2 893)	5 850	166	(191)
Other contracts						
Credit Default Swaps	(934 874)	12 774	(79 267)	(1 039 008)	15 261	(38 355)
		223 780	**(428 595)**		**233 920**	**(318 991)**

The Embedded derivatives item corresponds to embedded derivatives separated from structured financial instruments. The amounts are as follows:

Embedded derivatives

	31.12.15		31.12.14	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Cross Currency Swaps	2 944	(16 541)	1 714	(115)
Credit Default Swaps	75 840	(7 416)	31 359	(6 951)
Stock index options	239 794	(89 135)	192 500	(113 925)
	318 578	**(113 092)**	**225 573**	**(120 991)**

The Hedging derivatives item is analysed as follows:

Hedging derivatives

		31.12.15			31.12.14		
		Notional value	Book value		Notional value	Book value	
			Assets	Liabilities		Assets	Liabilities
Derivatives designated as hedging instruments of net investment in foreign operations							
	Purchase	23 839			26 994		
Currency Swaps			162	-		617	-
	Sale	(23 670)			(26 375)		
Derivatives designated as hedging instruments of fair value							
Interest Rate Swaps		721 330	147	(5 153)	652 350	120	(6 200)
			309	(5 153)		737	(6 200)

Note 9 - Loans and advances to banks

This item is analysed as follows:

Loans and advances to banks

	31.12.15	31.12.14
Repayable on demand	207 184	307 064
Interbank Money Market / Term deposits	518 659	311 654
Collateral deposits	208 709	97 444
Interest receivable	1 772	778
	936 324	**716 940**

Loans and advances to banks pledged as collateral are analysed in **Note 29**.

Note 10 - Loans and advances to customers

This item is analysed as follows:

Loans and advances to customers

	31.12.15	31.12.14
Customer loans		
Overdrafts	33 429	40 978
Trade Finance	773 413	582 575
Other Term loans	3 816 320	3 815 322
Factoring	22 471	64 691
Loans to employees	8 111	10 522
Interest receivable	34 021	23 039
	4 687 765	4 537 127
Overdue loans and interest	1 593	14 013
Impaired loans	7 583	8 449
Cash collateral loans	12 900	-
Commissions related to amortised cost (net)	(15 429)	(12 516)
Gross amount of loans and advances to customers	**4 694 412**	**4 547 073**
Loan impairment	(11 938)	(12 265)
Net amount of loans and advances to customers	**4 682 474**	**4 534 808**

The amount of loans to customers considered to be individually impaired on 31 December 2015 and 2014 corresponds to a credit operation with a subsidiary of a Spanish company. Due to the nature of this operation, there were insolvency proceeding processes undergoing in different jurisdictions which were relevant to the Bank. In 2014, it was therefore decided to constitute coverage of 100% of the total risk incurred in this transaction, which was maintained in 2015. This coverage assessment was based on the information available at the time (relative to the different stages of each ongoing process), and on internal credit policies.

Further analysis on the Group's loans and advances to customers are included in the Credit Risk section of the Strategic Report.

Note 11 - Financial assets available for sale

This item is analysed as follows:

Financial assets available for sale

	31.12.15	31.12.14
Debt instruments		
Government bonds	416 466	384 556
Bonds of other issuers		
Subordinated debt	3 258	4 393
Impairment	(3 258)	(1 277)
Net amount of financial assets available for sale	**416 466**	**387 672**

As of 31 December 2015 and 2014, the detail of financial assets available for sale is presented below:

Financial assets available for sale at 31.12.15

Type of securities	Original currency	Quantity	Unit values Nominal	Unit values Price	Purchase value	Impairment	Book value/ fair value	Gain/Loss (+/-)	Relevant organised market
Debt instruments									
Government Bonds									
NETHERLANDS 24-2-2017	USD	31 000 000	1	100.08%	31 075	-	31 139	(49)	EURONEXT
SWITZERLAND GOVERNMENT 5-6-2017	CHF	2 000	1 205	88.73%	2 414	-	2 190	(272)	SIX
UNITED STATES OF AMERICA 31-12-2017	USD	500 000	100	99.35%	49 848	-	49 680	(172)	BERLIN
UNITED STATES OF AMERICA 31-3-2017	USD	250 000	100	100.17%	25 140	-	25 109	(97)	BERLIN
UNITED STATES OF AMERICA 15-6-2016	USD	650 000	100	100.01%	65 008	-	65 021	(2)	BERLIN
UNITED STATES OF AMERICA 15-10-2016	USD	400 000	100	99.93%	40 005	-	40 025	(33)	EUROTLX
UNITED STATES OF AMERICA 30-11-2018	USD	800 000	100	99.88%	80 145	-	79 985	(245)	BERLIN
UNITED STATES OF AMERICA 30-9-2020	USD	520 000	100	98.30%	51 884	-	51 299	(766)	BERLIN
UNITED STATES OF AMERICA 30-9-2017	USD	250 000	100	99.33%	24 930	-	24 871	(98)	BERLIN
UNITED STATES OF AMERICA 31-8-2016	USD	250 000	100	100.21%	25 064	-	25 137	(12)	BERLIN
UNITED STATES OF AMERICA 31-1-2016	USD	180 000	100	100.00%	17 996	-	18 008	4	NYSE
UNITED STATES OF AMERICA 31-1-2016	USD	40 000	100	100.01%	4 000	-	4 002	1	NYSE
					417 509	-	**416 466**	**(1 741)**	
Other Issuers									
Subordinated debt									
BANIF-BANCO INTERNACIONAL DO FUN 30-12-2015	EUR	3 000	1 179	0.00%	3 258	(3 258)	-	-	LUXEMBOURG
					420 767	**(3 258)**	**416 466**	**(1 741)**	

Financial assets available for sale at 31.12.14

Type of securities	Original currency	Quantity	Unit values Nominal	Unit values Price	Purchase value	Impairment	Book value/ fair value	Gain/Loss (+/-)	Relevant organised market
Debt instruments									
Government Bonds									
REPUBLIC OF FRANCE 12-7-2015	EUR	5 000 000	1	101.06%	6 065	-	6 171	49	MTS FRANCE
KINGDOM OF BELGIUM 5-3-2015	USD	21 000 000	1	100.42%	21 062	-	21 568	26	FRANKFURT
REPUBLIC OF FRANCE 25-10-2015	EUR	10 000 000	1	102.45%	12 354	-	12 464	42	MTS FRANCE
NETHERLANDS GOVERNMENT 24-2-2017	USD	31 000 000	1	100.25%	31 141	-	31 186	(64)	EURONEXT
UNITED STATES OF AMERICA 31-12-2017	USD	500 000	100	98.93%	49 772	-	49 468	(305)	BERLIN
UNITED STATES OF AMERICA 15-1-2016	USD	100 000	100	100.09%	9 995	-	10 026	14	BERLIN
UNITED STATES OF AMERICA 15-2-2016	USD	100 000	100	100.03%	9 996	-	10 017	7	BERLIN
UNITED STATES OF AMERICA 31-3-2017	USD	50 000	100	100.44%	5 035	-	5 042	(13)	BERLIN
UNITED STATES OF AMERICA 15-6-2016	USD	650 000	100	100.08%	65 025	-	65 066	25	BERLIN
NETHERLANDS GOVERNMENT 15-1-2019	EUR	20 000 000	1	104.98%	24 509	-	25 823	896	EURONEXT
REPUBLIC OF FRANCE 25-5-2018	EUR	25 000 000	1	103.38%	30 602	-	31 456	669	MTS FRANCE
REPUBLIC OF ITALY 1-8-2018	EUR	19 000	1 210	113.26%	25 988	-	26 476	49	MILAN
UNITED STATES OF AMERICA 15-10-2016	USD	400 000	100	100.04%	40 011	-	40 069	4	EUROTLX
SWITZERLAND GOVERNMENT 5-6-2017	CHF	2 000	1 217	91.97%	2 434	-	2 287	(195)	SIX
UNITED STATES OF AMERICA 31-1-2016	USD	220 000	100	99.97%	21 996	-	21 997	(2)	NYSE
UNITED STATES OF AMERICA 31-8-2016	USD	250 000	100	101.42%	25 163	-	25 440	192	BERLIN
					381 148	-	**384 556**	**1 394**	
Other Issuers									
Subordinated debt									
BANIF 30-12-2015	EUR	3 000	1 210	85.83%	3 630	(1 277)	3 116	762	LUXEMBOURG
					384 778	**(1 277)**	**387 672**	**2 156**	

Note 12 - Property, plant and equipment

The movement in property, plant and equipment was as follows:

	Gross value						Accumulated depreciation							
	Balance on 31.12.14	Acquisitions	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.15	Balance on 31.12.14	Depreciation for the year	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.15	Balance on 31.12.14	Balance on 31.12.15
Other tangible assets														
Buildings	18 853	734	588	(15)	(1 092)	19 068	(7 898)	(1 913)	-	23	934	(8 854)	10 955	10 214
Furniture and fixtures	5 141	34	26	(13)	(1 789)	3 399	(3 613)	(508)	1	20	1 804	(2 296)	1 528	1 103
Machinery and tools	325	-	-	-	(32)	293	(253)	(21)	-	-	32	(242)	72	51
Computer equipment	7 203	626	9	(11)	(1 854)	5 973	(6 420)	(726)	(1)	21	1 848	(5 278)	783	695
Furnishings	2 498	48	-	-	-	2 546	(1 272)	(224)	-	-	-	(1 496)	1 226	1 050
Safety equipment	196	-	-	-	-	196	(183)	(4)	-	-	-	(187)	13	9
Art Objects	4 453	-	-	(16)	-	4 437	-	-	-	-	-	-	4 453	4 437
Other equipment	17	-	-	-	-	17	(15)	-	-	-	-	(15)	2	2
In course														
Buildings [1]	616	5	(614)	(2)	-	5	-	-	-	-	-	-	616	5
Other tangible assets	8	268	(9)	-	-	267	-	-	-	-	-	-	8	267
Total	39 310	1 715	-	(57)	(4 767)	36 201	(19 654)	(3 396)	-	64	4 618	(18 368)	19 656	17 833

1 The balance of In course tangible assets - Buildings corresponds to leasehold improvements in progress.

	Gross value						Accumulated depreciation							
	Balance on 31.12.13	Acquisitions	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.14	Balance on 31.12.13	Depreciation for the year	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.14	Balance on 31.12.13	Balance on 31.12.14
Other tangible assets														
Buildings	18 600	281	346	(231)	(143)	18 853	(6 351)	(1 796)	41	112	96	(7 898)	12 249	10 955
Furniture and fixtures	5 097	201	-	(157)	-	5 141	(3 142)	(565)	-	94	-	(3 613)	1 955	1 528
Machinery and tools	325	-	-	-	-	325	(230)	(23)	-	-	-	(253)	95	72
Computer equipment	8 028	299	-	(265)	(859)	7 203	(6 373)	(1 108)	-	203	858	(6 420)	1 655	783
Furnishings	2 268	187	61	-	(18)	2 498	(1 073)	(208)	-	-	9	(1 272)	1 195	1 226
Safety equipment	194	9	-	-	(7)	196	(162)	(28)	-	-	7	(183)	32	13
Other equipment	4 407	261	-	(215)	-	4 453	-	-	-	-	-	-	4 407	4 453
Art Objects	17	-	-	-	-	17	(15)	-	-	-	-	(15)	2	2
In course														
Buildings [1]	109	922	(406)	(9)	-	616	-	-	-	-	-	-	109	616
Other tangible assets	-	26	(18)	-	-	8	-	-	-	-	-	-	-	8
Total	39 045	2 186	(17)	(877)	(1 027)	39 310	(17 346)	(3 728)	41	409	970	(19 654)	21 699	19 656

1 The balance of In course tangible assets - Buildings corresponds to leasehold improvements in progress.

Note 13 - Goodwill and intangible assets

This item is analysed as follows:

Goodwill and Intangible Assets

	31.12.15	**31.12.14**
Intangible assets		
- Gross value	65 977	64 247
- Accumulated amortization	(47 246)	(41 947)
	18 731	22 300
Goodwill		
- Gross value	74 023	74 023
	74 023	74 023
	92 754	**96 323**

The amount of goodwill in the Group results from the acquisition of Private Banking units, businesses and portfolios since May 2007, and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the IPB assets acquired and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the future expected free cash flows, discounted at a rate that reflects the time value of money and the riskiness of the cash flow stream.

Testing goodwill involves a significant degree of estimation. Cash flow projections necessarily take into account changes in the market in which the business operates including the level of growth, competitive activity and the impacts of regulatory change. Determining both the expected cash flows and the appropriate risk adjusted interest rate requires the exercise of judgement.

When testing goodwill for impairment in 2015, five-year balance sheet and income statement projections approved by management were used, as well as a growth rate of 4% (representative of the long-term growth prospects of the business and industry) and a discount rate of 15%. Based on these assumptions and as a result of the test, there was no indication of goodwill impairment as of the valuation date.

The movement in intangible assets was as follows:

	Gross value						Accumulated amortization							
	Balance on 31.12.14	Acquisitions	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.15	Balance on 31.12.14	Amortization for the year	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.15	Balance on 31.12.14	Balance on 31.12.15
Intangible assets														
Software	14 202	757	188	(14)	(42)	15 091	(11 007)	(1 278)	-	17	42	(12 226)	3 195	2 865
Intangible IPB [1]	49 000	-	-	-	-	49 000	(30 940)	(4 080)	-	-	-	(35 020)	18 060	13 980
Other intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In course														
Advances on intangible assets	-	210	-	-	-	210	-	-	-	-	-	-	-	210
Software [2]	1 045	819	(188)	-	-	1 676	-	-	-	-	-	-	1 045	1 676
Total	64 247	1 786	-	(14)	(42)	65 977	(41 947)	(5 358)	-	17	42	(47 246)	22 300	18 731

1 The balance of Intangible IPB corresponds to a core deposit premium and client relationships identified as intangible following the acquisition of Private Banking portfolios.
2 The balance of In course intangible assets - Software corresponds to software development in progress and advances for purchase of software pending implementation

	Gross value						Accumulated amortization							
	Balance on 31.12.13	Acquisitions	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.14	Balance on 31.12.13	Amortization for the year	Transfers	Exchange rate fluctuation	Disposals	Balance on 31.12.14	Balance on 31.12.13	Balance on 31.12.14
Intangible assets														
Software	12 677	682	1 174	(203)	(128)	14 202	(9 550)	(1 706)	-	121	128	(11 007)	3 127	3 195
Intangible IPB [1]	49 000	-	-	-	-	49 000	(26 860)	(4 080)	-	-	-	(30 940)	22 140	18 060
Other intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In course														
Software [2]	1 464	766	(1 157)	-	(28)	1 045	-	-	-	-	-	-	1 464	1 045
Total	63 141	1 448	17	(203)	(156)	64 247	(36 410)	(5 786)	-	121	128	(41 947)	26 731	22 300

1 The balance of Intangible IPB corresponds to a core deposit premium and client relationships identified as intangible following the acquisition of Private Banking portfolios.
2 The balance of In course intangible assets - Software corresponds to software development in progress and advances for purchase of software pending implementation.

Note 14 - Investments in associates and subsidiaries

As at 31 December 2015, the subsidiaries financial information is as follows:

Subsidiaries

	Participation (%)		Total assets	Total equity	Profit/(loss) for the year
	Direct	Effective			
			a)	a)	a)
Banco Itaú (Suisse) SA	-	100.00%	1 174 970	181 537	14 879
Banco Itaú International	100.00%	100.00%	2 552 886	284 255	8 009
Itaú International Securities Inc.	100.00%	100.00%	32 869	28 220	1 845
Itau BBA International (Cayman) Ltd	100.00%	100.00%	3 142	3 142	(2)
Itaú Europa Luxembourg, SA	100.00%	100.00%	238 760	228 299	3 260

a) All amounts are as at 31 December 2015 (accounting balances, before consolidation adjustments)

As at 31 December 2015 and 2014, investments in associates are as follows:

Associates

	Effective Participation (%)		Book Value		Share of profit in associates (equity method)	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
IPI - Itaúsa Portugal Investimentos - SGPS, Lda.	49.00%	49.00%	25 585	28 443	59	40
			25 585	28 443	59	40

Investments in associates are recognised using the equity method, which means that the value of the investment initially recognised at cost is adjusted by the post-acquisition change in value of the net assets of the associate, in the proportion owned by the Group. The Group's profit and loss include the profits of the associate, in the proportion held.

The associate IPI was incorporated in Portugal on February 22, 2000 and its purpose is the management of its financial investments. Its subscribed and paid up share capital amounts to €29,844 thousand, with 49% held by IBBAInt and 51% by Afinco Américas Madeira – SGPS, Lda, a subsidiary of Itaú Unibanco Holding, S.A.

Highlights of the associate's financial statements (prepared according to IFRS) in USD thousands are as follows:

Associates - IPI

	31.12.15	31.12.14
Net assets	52 248	58 083
Liabilities	34	35
Total equity	52 214	58 048
Profit for the year	120	81

Note 15 - Deferred tax assets

Deferred tax assets comprise:

Deferred tax assets

	31.12.15	**31.12.14**
Due to temporary differences:		
Pensions and other post-retirement benefits	80	-
Financial assets available for sale	100	328
Provisions	928	537
Depreciation and amortization of tangibles and intangibles	3 489	2 970
Derivatives	19	-
Other	1 375	985
	5 991	4 820
Due to tax losses carried forward	1 954	5 948
	7 945	**10 768**

Deferred tax assets	**31.12.15**	**31.12.14**
Deferred tax assets to be recovered after more than 12 months	5 324	7 520
Deferred tax assets to be recovered within 12 months	2 621	3 248
	7 945	**10 768**

Recognition of deferred tax assets is based on profit forecasts which indicate that it is probable that the Bank and its subsidiaries will have future taxable profits against which the losses and temporary differences can be utilised.

Net deferred taxes comprise:

Net Deferred taxes

	31.12.15	**31.12.14**
Deferred tax assets	7 945	10 768
Deferred tax liabilities (Note 22)	(14 416)	(12 504)
	(6 471)	**(1 736)**

The movement in the net deferred tax balance is as follows:

Movement on the deferred income tax

	31.12.15	**31.12.14**
At 1 January	(1 736)	6 525
Income statement charge	(5 454)	(6 721)
Exchange and other adjustments	(140)	(761)
Amount charged to equity	859	(779)
At 31 December	**(6 471)**	**(1 736)**

For the composition of the deferred tax liabilities see **Note 22.**

Note 16 - Other assets

This item is analysed as follows:

Other assets

	31.12.15	31.12.14
Debtors and other aplications		
Public sector	113	173
Other Debtors	2 480	2 089
	2 593	2 262
Accrued income		
For irrevocable commitments assumed	109	273
For bank services provided	15 979	11 288
For operations rendered to third parties	3 055	1 839
Other accrued income		
Commissions on guarantees given	39	94
	19 182	13 494
Deferred expenses		
Rents and leases	384	558
Insurances	433	449
Systems and equipments maintenance	937	1 698
Information services	148	141
Advertisement and sponsorship	2 402	4 014
Pension Plan	1 824	2 174
Other deferred expenses	1 335	2 144
	7 463	11 178
Other adjustment accounts		
Other operations pending settlement		
Securities pending settlement	1 478	317
Other	8 260	5 967
	9 738	6 284
	38 976	**33 218**

The balance of other operations pending settlement on 31 December 2015 corresponds mainly to margin call on futures transactions, and on 31 December 2014 to non-deliverable forwards pending settlement.

Note 17 - Trading liabilities

The trading liabilities correspond to Structured Notes issued by the Group under a Structured Medium Term Note Programme. The Group issues two types of Structured Notes classified as trading liabilities, where it passes to the client all the income and risks regarding the underlying asset:

i) "Pass-through" - Credit-Linked Notes hedged by Brazilian government bonds and Convertible Debenture Participation Notes hedged by Brazilian companies' bonds;

ii) "P-Notes" - Equity Participation Notes hedged mostly by Brazilian companies' shares.

The underlying bonds and shares hedging the trading liabilities are recorded as trading assets (see **Note 6**).

Trading liabilities at 31.12.15

Issuer	Type of Note	Currency	Issue amount in USD'000	Balance at 31.12.15
IBBAInt London	Equity Participation Notes	USD	88 601	12 001
IBBAInt London	Credit-Linked Notes	USD	79 948	54 866
IBBAInt London	Convertible Debenture Participation Notes	USD	39 702	38 630
				105 497

Trading liabilities at 31.12.14

Issuer	Type of Note	Currency	Issue amount in USD'000	Balance at 31.12.14
IBBAInt London	Equity Participation Notes	USD	92 595	27 669
IBBAInt London	Credit-Linked Notes	USD	152 730	118 121
IBBAInt London	Convertible Debenture Participation Notes	USD	39 702	49 997
				195 787

Note 18 - Deposits from banks

This item is analysed as follows:

Deposits from banks

	31.12.15	31.12.14
Demand deposits	59	34
Interbank Money Market / Term deposits	1 021 149	562 626
Fiduciary deposits	-	7 000
Syndicated loans	325 770	242 000
Other amounts due	100	762
Interest payable	4 083	2 337
Commissions related to amortised cost (net)	(1 351)	(494)
	1 349 810	**814 265**

Note 19 - Customer accounts

This item is analysed as follows:

Customer accounts

	31.12.15	31.12.14
Demand deposits	2 760 609	2 561 131
Time deposits	167 943	211 626
Other amounts due to customers	964	1 555
Interest payable	160	259
	2 929 676	**2 774 571**

Note 20 - Debt securities in issue

This item is analysed as follows:

Debt securities in issue

	31.12.15	31.12.14
Floating Rate Notes	5 000	5 000
Certificates of deposit	510 746	108 860
Structured financial instruments	1 971 693	2 125 274
Net interest payable	14 965	20 767
	2 502 404	**2 259 901**

Floating Rate Notes at 31.12.15

Description	Issue date	Currency	Quantity	Issue amount in USD'000	Balance at 31.12.15	Interest Rate		Frequency of interest payments	Maturity
						Reference Rate	Current rate		
Floating Rate Notes	Oct/13	USD	3 000 000	3 000	3 000	Fixed	5.25%	Annual	Oct/23
Floating Rate Notes	Oct/14	USD	2 000 000	2 000	2 000	Fixed	1.70%	Annual	Oct/17
					5 000				

Floating Rate Notes at 31.12.14

Description	Issue date	Currency	Quantity	Issue amount in USD'000	Balance at 31.12.14	Interest Rate		Frequency of interest payments	Maturity
						Reference Rate	Current rate		
Fixed Rate Notes	Oct/13	USD	3 000 000	3 000	3 000	Fixed	3.13%	Annual	Oct/23
Fixed Rate Notes	Oct/14	USD	2 000 000	2 000	2 000	Fixed	1.70%	Annual	Oct/17
					5 000				

Certificates of deposit at 31.12.15

Description		Currency	Issued amount in USD'000	Balance at 31.12.15	Average Effective Interest Rate	Average Initial Term (days)
Certificates of Deposit	(a)	EUR	1 138	1 138	0.35%	113
Certificates of Deposit	(a)	USD	507 511	507 511	1.21%	166
Certificates of Deposit	(a)	GBP	2 097	2 097	1.52%	361
				510 746		

(a) The total amount of the Euro Certificate of Deposit Programme is USD 2,000 m

Certificates of deposit at 31.12.14

Description		Currency	Issued amount in USD'000	Balance at 31.12.14	Average Effective Interest Rate	Average Initial Term (days)
Certificates of Deposit	(a)	EUR	5 259	5 259	0.12%	50
Certificates of Deposit	(a)	USD	94 555	94 555	0.47%	1 258
Certificates of Deposit	(a)	GBP	9 046	9 046	1.42%	334
				108 860		

(a) The total amount of the Euro Certificate of Deposit Programme is USD 2,000 m

Structured Financial Instruments at 31.12.15

Description	Currency	Balance at 31.12.15	Average Effective Interest Rate	Average Initial Term (days)
BUFFERED NOTE	USD	3 527	3.10%	1 823
CAPITAL PROTECTED NOTE	USD	17 386	2.83%	1 626
CAPPED NOTE	USD	295 687	2.25%	968
CAPPED NOTE	EUR	826	1.60%	1 098
COLLARED FLOATING RATE NOTE	USD	31 831	2.57%	1 523
CREDIT LINKED NOTE	USD	925 133	1.89%	1 339
CREDIT LINKED NOTE	EUR	2 297	1.38%	1 874
FX LINKED NOTE	USD	15 423	2.16%	966
KNOCK-IN NOTE	USD	11 468	3.36%	1 702
PHOENIX AUTOCALL NOTE	USD	338 934	1.30%	938
PHOENIX WORST OF AUTOCALL	USD	90 974	1.31%	1 134
PHOENIX WORST OF AUTOCALL	EUR	5 972	0.71%	1 030
STEP UP NOTE	USD	11 844	1.73%	619
UNCAPPED NOTE	USD	152 203	2.18%	960
UNCAPPED NOTE	EUR	5 498	1.83%	729
WORST OF NOTE	USD	41 189	2.42%	1 068
XS UP NOTE	USD	19 071	2.45%	1 191
XS UP NOTE	GBP	1 169	1.78%	730
DUAL CURRENCY NOTE	USD	1 261	0.67%	253
		1 971 693		

Structured Financial Instruments at 31.12.14

Description	Currency	Balance at 31.12.14	Average Effective Interest Rate	Average Initial Term (days)
BUFFERED NOTE	USD	4 204	2.90%	1 670
CAPITAL PROTECTED NOTE	USD	17 520	2.83%	1 618
CAPPED NOTE	USD	223 687	2.36%	989
CAPPED NOTE	EUR	950	1.61%	1 098
COLLARED FLOATING RATE NOTE	USD	24 359	0.72%	1 668
CREDIT LINKED NOTE	USD	1 019 400	1.98%	1 321
CREDIT LINKED NOTE	EUR	1 133	1.51%	1 852
FX LINKED NOTE	USD	20 490	2.03%	567
FX WEDDING CAKE NOTE	USD	1 481	4.31%	363
KNOCK-IN NOTE	USD	17 687	3.28%	1 610
PHOENIX AUTOCALL NOTE	USD	118 315	1.32%	859
PHOENIX WORST OF AUTOCALL	USD	377 472	0.90%	850
PHOENIX WORST OF AUTOCALL	EUR	14 544	0.80%	732
STEP UP NOTE	USD	26 942	2.05%	580
UNCAPPED NOTE	USD	147 183	2.04%	880
UNCAPPED NOTE	EUR	7 653	1.78%	730
US INFLATION LINKED NOTE	USD	2 536	4.98%	1 473
WORST OF NOTE	USD	70 494	2.66%	1 005
XS UP NOTE	USD	28 011	2.22%	1 019
XS UP NOTE	GBP	1 213	1.78%	730
		2 125 274		

As of 31 December 2015 and 2014, there were no debts represented by listed securities.

Note 21 - Subordinated liabilities

This item is analysed as follows:

Subordinated liabilities

	31.12.15	**31.12.14**
Subordinated debt issues	30 000	30 000
Interest payable	71	55
	30 071	30 055

In 2015 and 2014, there were no issuances, repurchases or repayments of subordinated debt.

Note 22 - Deferred tax liabilities

Deferred tax liabilities are comprised as follows:

Deferred tax liabilities

	31.12.15	**31.12.14**
Due to temporary differences:		
Financial assets available for sale	-	243
Depreciation and amortization of tangibles and intangibles	260	-
Goodwill	14 141	12 252
Other	15	9
	14 416	**12 504**

Deferred tax liabilities	**31.12.15**	**31.12.14**
Deferred tax liabilities to be paid after more than 12 months	14 401	12 252
Deferred tax liabilities to be paid within 12 months	15	252
	14 416	**12 504**

For the movement in the net deferred tax balance see **Note 15.**

Note 23 - Other liabilities

This item is analysed as follows:

Other liabilities

	31.12.15	31.12.14
Creditors and other resources		
Public Sector	4 675	3 207
Other creditors	1 533	1 734
	6 208	4 941
Expenses payable		
Staff costs		
Share-based payments	6 846	7 671
Other staff costs	19 814	27 169
General and administrative expenses		
Audit	259	648
Consulting	272	210
Structuring and technical support	37	6
Other services provided by third parties	363	217
Other General and Administrative expenses	132	124
For guarantees received	5 990	658
Rents	1 570	2 444
Service level agreements	3 886	894
Other expenses payable	13 936	11 743
	53 105	51 784
Deferred income		
Irrevocable commitments assumed	1 186	1 636
Guarantees given and other contingent liabilities	17	-
Rents	921	1 063
Other deferred income	2 562	4 469
	4 686	7 168
Other adjustment accounts		
Responsibilities with pension plans		
Net defined benefit (Note 24)	4 318	1 491
Foreign exchange transactions pending settlement	-	6
Other operations pending settlement		
Charged amounts	10 408	36 731
Secutities pending settlement	1 217	117 536
Other	3 499	5 835
	19 442	161 599
	83 441	**225 492**

As of 31 December 2015 and 2014, the balance of Charged amounts recognised in Other adjustment accounts, was mainly comprised of securities and structured notes pending settlement.

Note 24 - Defined benefit pension plans

The subsidiary Banco Itaú (Suisse) SA operates a post-employment plan considered to be a defined benefit plan because of the inherent minimum benefits guaranteed by Swiss law. The related pension fund has entered into a contract of insurance to cover all investment and underwriting risks (disability, death and old age). The risk for Banco Itaú (Suisse) SA as an employer lies in the possibility of the pension fund changing its financing system (contributions and future benefits) at any time. The pension fund can also terminate the existing contract within the contractual notice period in line with Swiss law. Also, the pension fund is allowed to ask for higher risk and cost premiums from the employer and employees.

The following table provides information on the Group's liabilities with respect to post-employment defined benefit plans:

Net defined benefit liability

	31.12.15	31.12.14
Defined benefit obligation	15 865	11 487
Fair value of plan assets	(11 547)	(9 996)
Net defined benefit liability	4 318	1 491

The amounts recognised in the income statement regarding defined benefit plans are as follows:

Defined benefit cost recognised in the income statement

	31.12.15	31.12.14
Service cost and Administration cost		
Current service cost	1 804	1 537
Past service cost	-	(320)
Administration cost	6	5
	1 810	1 222
Net interest on the net defined benefit liability		
Interest expense on defined benefit obligation	234	249
Interest income on plan assets	(203)	(212)
	31	37
Total	**1 841**	**1 259**

The movement in the defined benefit obligation over 2015 and 2014 was as follows:

Movement in the defined benefit obligation

	Defined obligation	Fair value assets	Net defined liability
As at 01.01.15	11 487	(9 996)	1 491
Currency translation differences	(158)	87	(71)
Interest expense / (income)	234	(203)	31
Current service cost (employer)	1 804	-	1 804
Contributions:			
- Employer	-	(1 393)	(1 393)
- Plan participants	929	(929)	-
Benefits (paid) / deposited	(417)	417	-
Administration cost (excl. cost for managing plan assets)	6	-	6
Actuarial (gain) / loss on defined benefit obligation			
- arising from changes in financial assumptions	2 324	-	2 324
- arising from experience adjustments	(344)	-	(344)
Return on plan assets excl. interest income	-	470	470
As at 31.12.15	15 865	(11 547)	4 318

Movement in the defined benefit obligation

	Defined obligation	Fair value assets	Net defined liability
As at 01.01.14	10 310	(8 604)	1 706
Currency translation differences	(1 048)	918	(130)
Interest expense / (income)	249	(212)	37
Current service cost (employer)	1 537	-	1 537
Contributions:			-
- Employer	910	(1 365)	(455)
- Plan participants	-	(910)	(910)
Benefits (paid) / deposited	157	(157)	-
Past Service Cost	(320)	-	(320)
Administration cost (excl. cost for managing plan assets)	5	-	5
Actuarial (gain) / loss on defined benefit obligation			-
- arising from changes in financial assumptions	317	-	317
- arising from experience adjustments	(630)	-	(630)
Return on plan assets excl. interest income	-	334	334
As at 31.12.14	11 487	(9 996)	1 491

As at the last valuation date, the present value of the defined benefit obligation solely related to active employees. The significant actuarial assumptions in 2015 and 2014 were as follows:

Actuarial assumptions

	31.12.15	31.12.14
Discount rate (DR)	0.80%	1.80%
Long-term salary increases (SI)	0.50%	0.00%
Long-term pension increases	0.00%	0.00%
Long-term inflation	0.50%	0.50%
Mortality tables	BVG 2010 GT	BVG 2010 GT
Retirement probability*	100%	100%

(*) in the normal retirement age

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Impact on defined benefit obligation

	New defined benefit obligation	% Change
Defined Benefit Obligation with DR -0.25%	16 618	5%
Defined Benefit Obligation with DR +0.25%	15 174	-4%
Defined Benefit Obligation at 31.12. with SI -0.25%	15 688	-1%
Defined Benefit Obligation at 31.12. with SI +0.25%	16 036	1%
Defined Benefit Obligation at 31.12. with life expectancy +1 year	16 036	1%
Defined Benefit Obligation at 31.12. with life expectancy -1 year	15 695	-1%

The discount rate (DR) and the assumption for salary growth (SI) were lowered or raised by a fixed percentage. The sensitivity of mortality was obtained by reducing or increasing the mortality rate by a standard factor, and as a result the life expectancy for most age categories has been increased or reduced by approximately one year.

Contributions are levied as a percentage of the pensionable salary of workers and employers to fund the benefits. Expected contributions to the defined benefit plan for the year ending 31 December 2016 are as follows:

Best Estimate of contributions of next year

Contributions by the employer	1 428
Contributions by the plan participants	952

The weighted average duration of the defined benefit obligation is 18 years.

Note 25 - Share capital

The share capital of the Bank as of 31 December 2015 and 2014 was USD 600 million, represented by 60,000,045 ordinary shares with a nominal value of USD 10 each, fully owned by Itaúsa Portugal, SGPS, S.A..

Note 26 - Revaluation reserves

This item is analysed as follows:

Revaluation reserves

	31.12.15	31.12.14
Reserves due to fair value adjustments of financial assets available for sale		
Debt instruments	(1 741)	2 156
Deferred tax liabilities	373	(486)
Foreign currency translation reserve	(125)	385
Hedge of Net Investment reserve	(456)	(244)
Other revaluation reserves		
Remeasurements of post employment defined benefit obligations	(3 868)	(1 418)
	(5 817)	**393**

Note 27 - Other reserves

This item is analysed as follows:

Other reserves

	31.12.15	31.12.14
Legal reserve	6 257	6 257
Merger Reserve	448 740	448 740
Special Reserve	25 533	30 028
Other Reserves	8 820	8 820
	489 350	**493 845**

The legal reserve and the special reserve are related to legal requirements of the subsidiary IE Luxembourg.

The merger reserve was constituted at the effective date of the merger between the Bank and Banco Itaú BBA International S.A. ("Itaú BBA Portugal") on 1 February 2013 and corresponds to the excess capital of the Bank after the issue of new shares, the reserves and retained earnings of Itaú BBA Portugal and other adjustments at the date of merger.

The special reserve is related to tax requirements of the subsidiary IE Luxembourg. This subsidiary allocates under non-distributable reserves an amount that corresponds to five times the amount of reduction of the Net Wealth Tax in accordance with Luxembourg Tax Law. This reserve is non-distributable for a period of five years from the year following that during the Net Wealth Tax was reduced.

Note 28 - Non-controlling interests

This item is analysed as follows:

Non-controlling interests

	Balance sheet		Income statement	
	31.12.15	31.12.14	31.12.15	31.12.14
Minority shareholders of: Itaú Europa Luxembourg, SA	-	22	(1)	(1)
	-	**22**	**(1)**	**(1)**

Note 29 - Guarantees and commitments

This item is analysed as follows:

Guarantees and commitments

	31.12.15	31.12.14
Guarantees given		
Institutional guarantees		
Guarantees	67 393	181 425
Stand-by letters of credit	117 226	180 642
	184 619	**362 067**
Financial assets pledged as collateral		
Securities	30 459	17 365
Other assets	8 857	13 732
	39 316	**31 097**
	223 935	**393 164**
Commitments to third parties		
Irrevocable credit facilities	435 072	722 850
Commitment letters	-	84 700
Commitment do deposit insurance	1 108	1 236
	436 180	**808 786**

The detail of financial assets pledged as collateral is as follows:

Financial assets pledged as collateral

	31.12.2015		31.12.2014	
	Asset	Related liability	Asset	Related liability
Financial assets designated at fair value	30 459	3 497	17 365	16
Loans and advances to banks	8 857	8 688	13 732	13 080
	39 316	12 185	31 097	13 096

On 31 December 2015 and 2014, the financial assets designated at fair value pledged as collateral were securities deposited in *Bolsa de Mercadorias e Futuros* (“BM&F”) – São Paulo, Brazil – as margin for BMF_USD futures transactions.

On 31 December 2015 and 2014, the pledged loans and advances to banks were collateral deposits for CME_USD futures transactions.

Note 30 - Credit impairment charges and other provisions

The movement in impairment and provisions was as follows:

Impairment and other provisions

	31.12.15	31.12.14
Opening balance	13 850	8 811
Charge to the income statement		
- Loans and advances toz customers	540	20 149
- Financial assets available for sale	2 116	-
- Guarantees and commitments	(125)	145
	2 531	20 294
Utilisation/Write-off		
- Loans and advances to customers	-	(13 668)
	-	(13 668)
Exchange rate and other movements	(1 002)	(1 587)
Balance at end of year	15 379	13 850
In respect of:		
- Loans and advances to customers	11 938	12 265
- Financial assets available for sale	3 258	1 277
- Guarantees and commitments	183	308
Balance at end of year	15 379	13 850

In 2015, an impairment loss of USD 2.1 m was recognised in the income statement, regarding a subordinated debt instrument issued by a Portuguese bank, booked in the portfolio of financial assets available for sale. The increase on the impairment balance from 2014 to 2015 is mainly due to the recognition of this impairment loss.

Note 31 - Net interest income

This item is analysed as follows:

Net interest income

	31.12.15	31.12.14
Interest income		
Interest from balances at central banks	2 033	1 912
Interest on loans and advances to banks	9 590	9 409
Interest on loans and advances to customers	138 876	112 256
Interest on overdue loans	178	4
Interest on financial assets designated at fair value	9 605	4 644
Interest on financial assets available for sale	3 190	2 557
	163 472	130 782
Interest expense		
Interest on amounts due to central banks	(1 363)	-
Interest on deposits from banks	(11 618)	(8 839)
Interest on overdrafts	(4)	(7)
Interest on Repurchase Agreements	(133)	(50)
Interest on deposits from customers	(888)	(1 430)
Interest on issued bonds	(147)	(208)
Interest on issued certificates of deposit	(3 324)	(2 430)
Interest on issued structured financial instruments	(42 907)	(37 811)
Interest on financial liabilities designated at fair value	(12 480)	(4 933)
Interest on subordinated debt	(241)	(217)
Other interest and similar expenses	(5)	(724)
	(73 110)	(56 649)
	90 362	**74 133**

Note 32 - Net fee and commission income

This item is analysed as follows:

Net fee and commission income

	31.12.15	31.12.14
Fee and commission income		
For guarantees given	1 684	2 329
For irrevocable commitments	2 953	5 096
For operations on financial instruments	-	369
For banking services	119 413	127 140
For operations undertaken for third parties	33	39
	124 083	134 973
Fee and commission expense		
For guarantees received	(8 607)	(2 389)
For irrevocable commitments	-	(46)
For operations on financial instruments	(452)	(590)
For banking services	(3 973)	(4 708)
For operations undertaken by third parties	(1 217)	(2 243)
Other	(1 845)	(614)
	(16 094)	(10 590)
	107 989	**124 383**

Note 33 - Net income on financial operations

This item is analysed as follows:

Net income on financial operations

	31.12.15	31.12.14
Net income on financial assets at fair value through profit or loss		
Net income on trading assets	11 306	27 654
Net income on trading liabilities	39 208	(298)
Net income on financial assets designated at fair value	15 431	13 784
Net income on derivative financial instruments	47 981	5 857
Net income on currency revaluation	(101 716)	(35 996)
	12 210	**11 001**
Net income on financial assets available for sale		
Debt securities	1 780	673
Equity instruments	(2)	2
	1 778	**675**
Net income on other financial operations		
Net income on purchase/disposal of loans	387	-
Net income on purchase/disposal of other financial assets	(166)	(436)
Net income on structured financial instruments	3 261	3 092
Net income on hedging relationships:		
- on hedging derivatives	688	(4 079)
- on hedged assets	(956)	4 040
- on hedged liabilities	(68)	-
	3 146	**2 617**
	17 134	**14 293**

Note 34 - Other operating income

This item is analysed as follows:

Other operating income

	31.12.15	31.12.14
Expenses reimbursement	110	2 741
Income from service level agreements	7 404	8 097
Taxes reimbursement	90	-
Gains in tangible assets	1	-
Other operating income	3 525	1 943
	11 130	**12 781**

Note 35 - Staff costs

This item is analysed as follows:

Staff costs

	31.12.15	31.12.14
Wages and salaries	71 168	80 895
Social security costs	7 424	7 637
Pension costs		
- Defined contribution plans	1 311	2 438
- Defined benefit plans	1 841	1 259
Share-based payments	5 191	5 778
Other staff costs		
- Severances	3 272	4 631
- Other	7 763	6 192
	97 970	**108 830**

The average number of employees of the Group is analysed as follows:

Number of employees

	Average number of employees					
	31.12.15			31.12.14		
	CIB	IPB	Total	CIB	IPB	Total
Management	3	15	18	3	17	20
Business areas	50	78	128	51	77	128
Support areas	97	134	231	101	127	228
Total	**150**	**227**	**377**	**155**	**221**	**376**

The remuneration of the Bank's directors was as follows:

Directors' remuneration

	31.12.15	31.12.14
Aggregate remuneration	2 665	5 854
Of which: Long-term incentive schemes	1 382	4 624

The amounts above consist of remuneration awarded for the year, including fixed remuneration and the upfront and deferred components of variable remuneration awarded for the year.

In 2015, post-employment benefits were accruing for three directors of the Bank (2014: three) under a defined contribution scheme. No directors (2014: none) were members of a defined benefit scheme.

In 2015, three directors of the Bank are accruing benefits under a long-term incentive scheme (2014: three).

The Bank's highest paid director's emoluments were as follows:

Highest paid director's emoluments

	31.12.15	31.12.14
Total emoluments and amounts		
under long-term incentive schemes	1 590	3 551
Of which: Aggregate value paid to a pension scheme	-	53

Note 36 - General and administrative expenses

This item is analysed as follows:

General and administrative expenses

	31.12.15	31.12.14
Supplies	2 079	1 635
Services		
Rentals and leasing	5 734	6 505
Communications	2 789	3 125
Travel, lodging and representation	3 936	4 858
Advertising and sponsorship	281	2 450
Maintenance and repairs	671	1 303
Transportation	-	1
Training expenses	1 070	669
Insurance	557	538
Specialized services	19 571	22 408
Service level agreements	9 427	8 267
Other services	5 740	6 336
	49 776	56 460
	51 855	**58 095**

Note 37 - Other operating expenses

This item is analysed as follows:

Other operating expenses

	31.12.15	31.12.14
Subscriptions and donations	218	251
Losses on disposal of tangible assets	148	55
Indirect taxes	1 940	1 849
Direct taxes	768	788
Other operating expenses	1 849	2 522
	4 923	**5 465**

Note 38 - Income tax

This item is analysed as follows:

Income tax

	31.12.15	31.12.14
Current taxes on income for the reporting year	(10 038)	(3 292)
Current taxes referring to previous years	(450)	(888)
Total current tax	**(10 488)**	**(4 180)**
Origination and reversal of temporary differences regarding:		
Pensions and other post-retirement benefits	83	-
Provisions	384	307
Derivatives	73	(39)
Goodwill amortization	(1 958)	(1 612)
Depreciation and amortization of tangibles and intangibles	324	220
Financial assets available for sale	(814)	495
Other	394	(325)
Tax losses carried forward	(3 940)	(5 767)
Total deferred tax	**(5 454)**	**(6 721)**
	(15 942)	**(10 901)**

For the movement in the net deferred tax balance see **Note 15.**

The table below shows the reconciliation between the Group's actual tax charge and the tax charge that would result from applying the standard corporation tax rate to the Group's profit before tax:

Income tax reconciliation

	31.12.15	31.12.14
Profit before tax	**60 641**	**23 432**
Tax calculated at the Group weighted average applicable tax rate of 24.51% (2014: 32.58%)	(14 866)	(7 633)
Effect of :		
- Expenses not deductible for tax purposes	(162)	(172)
- Changes in tax rates	(210)	(338)
- Adjustment for prior years	(117)	(645)
- Income not subject to tax	-	(30)
- Write down or reversal of deferred tax assets	30	-
- Unrecognised deferred tax	17	-
- Minimum corporate income tax	(23)	(29)
- Tax losses not recovered	(482)	(1 001)
- Double taxation	(129)	(1 053)
Income tax	**(15 942)**	**(10 901)**

The income tax rate applicable to the majority of income generated by the Bank and its subsidiaries ranges from 20.4% to 38.57% (2014: 21.17% to 37.66%). The weighted average applicable tax rate was 24.51% (2014: 32.58%). The decrease is mainly explained by a change in the profitability of the Bank and of the Swiss subsidiary.

Note 39 - Related Party Transactions

a) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and comprise the members of the Board of Directors and certain top executives of the Bank and its subsidiaries.

The total compensation below represents all benefits in the form of consideration paid, payable or provided by the Group to key management personnel, in exchange for services rendered to the Group, and do not reconcile with the costs recognised in the income statement, as these reflect only the accounting charge for the year.

Key management personnel compensation

	31.12.15	31.12.14
Short-term employee benefits	19 684	21 757
Post-employment benefits	230	182
Other long-term benefits	443	827
Termination benefits	949	698
Share-based payment	7 119	5 486
	28 425	**28 950**

In 2015 and 2014, no loans or advances were granted by the Group to its key management personnel.

b) Parent, associate and other entities of the Itaú Group

The Group records the following balances with these related parties:

Related Parties

	31.12.15				
	Itaúsa Europa Investimentos, SGPS	Itaúsa Portugal, SGPS	IPI	Itaú Unibanco Group (Brazil) [1]	Total
Assets					
Derivative financial instruments	-	-	-	54 798	54 798
Loans and advances to banks	-	-	-	224 675	224 675
Investments in associates and subsidiaries	-	-	25 585	-	25 585
Other assets	-	2	-	2 432	2 434
	-	2	25 585	281 905	307 492
Liabilities					
Derivative financial instruments	-	-	-	14 541	14 541
Deposits from banks	-	-	-	380 594	380 594
Customer accounts	368	6 881	52 249	52 574	112 072
Subordinated liabilities	-	-	-	30 071	30 071
Other liabilities	-	-	-	9 859	9 859
	368	6 881	52 249	487 639	547 137
Income and Expenses					
Interest income	-	-	-	-	-
Interest expense	-	(16)	(202)	(4 605)	(4 823)
Net income in financial operations	-	(4)	-	49 794	49 790
Commission income	-	-	-	504	504
Commission expense	-	-	-	(11 029)	(11 029)
Other income	-	-	-	8 347	8 347
Other expenses	-	-	-	(9 274)	(9 274)
	-	(20)	(202)	33 737	33 515
Off-balance sheet					
Guarantees received	-	-	-	663 898	663 898
Guarantees given	-	-	-	3 251	3 251
Exchange operations and derivative instruments					
Purchase	-	-	-	1 333 772	1 333 772
Sale	-	-	-	1 199 201	1 199 201
	-	-	-	3 200 122	3 200 122

1 Includes Itaú Unibanco Nassau Branch, Itau Unibanco S.A., Itau Unibanco Cayman Branch, Itaú Unibanco New York Branch, Itaubank Ltd. (Cayman), Itaú USA Securities, Banco Itaú Uruguay, Banco Itaú Paraguay, Banco Itaú Argentina, Afinco Americas (Madeira), Banco Itaú Chile, Itaú Bank&Trust (Cayman) Ltd., Itaú Bank&Trust (Bahamas) Ltd., Itau UK Asset Management, Itau USA Asset Management, Itau Asia Securities Limited.

Related Parties

	31.12.14				
	Itaúsa Europa Investimentos, SGPS	**Itaúsa Portugal, SGPS**	**IPI**	**Itaú Unibanco Group (Brazil) [1]**	**Total**
Assets					
Derivative financial instruments	-	-	-	33 045	33 045
Loans and advances to banks	-	-	-	40 750	40 750
Investments in associates and subsidiaries	-	-	28 443	-	28 443
Other assets	61	86	26	7 292	7 465
	61	86	28 469	81 087	109 703
Liabilities					
Derivative financial instruments	-	-	-	13 358	13 358
Deposits from banks	-	-	-	223 252	223 252
Customer accounts	528	8 517	58 083	55 616	122 744
Subordinated liabilities	-	-	-	30 055	30 055
Other liabilities	-	-	-	984	984
	528	8 517	58 083	323 265	390 393
Income and Expenses					
Interest income	-	-	-	468	468
Interest expense	-	(47)	(168)	(2 696)	(2 911)
Net income in financial operations	-	-	-	5 652	5 652
Commission income	-	-	-	-	-
Commission expense	-	-	-	(4 160)	(4 160)
Other income	-	-	-	8 278	8 278
Other expenses	-	-	-	-	-
	-	(47)	(168)	7 542	7 327
Off-balance sheet					
Guarantees received	-	-	-	397 283	397 283
Guarantees given	-	-	-	83 917	83 917
Exchange operations					
and derivative instruments					
Purchase	-	-	-	1 040 715	1 040 715
Sale	-	-	-	997 466	997 466
	-	-	-	2 519 381	2 519 381

1 Includes the companies Banco Itaú BBA S.A., Banco Itaú BBA Nassau Branch, Itau Unibanco S.A., Itau Unibanco Cayman Branch, Itaú Unibanco New York Branch, Itaubank (Cayman), Itaú USA Securities, Itaú UK Securities, Banco Itaú Chile, Banco Itaú Uruguay, Banco Itaú Paraguay, Banco Itaú Argentina, Afinco Americas (Madeira), Zux SGPS (Madeira), Zux Cayman, Duratex S.A., Redecard, S.A., Unicorp Bank&Trust Ltd..

Note 40 - Financial Risk and Capital Management

For greater clarity and to avoid unnecessary duplication, the disclosures required under IFRS relating to financial risks and capital resources are included under the Capital Management and Risk Management sections of the Strategic Report above.

The relevant disclosures have been audited and can be found as follows:

- Capital management, on pages 10 to 11;
- Credit risk, on pages 12 to 16;
- Market risk, on pages 17 to 19;
- Liquidity risk, on pages 19 to 22

Note 41 - Subsequent events

On February 2016, the Bank received USD 1 m from an insolvency proceeding process on a fully impaired loan in the amount of USD 8 m as of 31 December 2015. Hence, a credit impairment reversal regarding this loan was recognised in the income statement on February 2016, in the amount received. In relation to the same loan, there are still insolvency proceeding processes undergoing in two different jurisdictions.

Note 42 - Parent undertakings

The Bank's ultimate parent undertaking and controlling entity and the largest group of which the Bank is a member and for which group financial statements are prepared is Itaú Unibanco Holding S.A. ("Itaú Unibanco), a publicly listed joint stock company with its head office in Brazil. Copies of its consolidated financial statements can be obtained from www.itau.com.br.

The Bank's immediate parent undertaking is Itaúsa Portugal SGPS S.A., a Portuguese sub-holding company wholly owned by Itaúsa Europa Investimentos SGPS Lda. ("IEI"). IEI is a holding company incorporated in Portugal, indirectly owned by Itaú Unibanco, and is the parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Bank is a member. IEI prepares consolidated financial statements available at www.itausaeuropa.eu.

Note 43 - Other disclosures

The fees charged on a consolidated basis by the Statutory Auditors, in the years 2015 and 2014, were as follows:

Statutory Auditors Fees

	31.12.15	31.12.14
Statutory auditing	759	790
Other assurance and reliability services		
- rendered to the Bank	85	94
- rendered to the Subsidiaries	226	272
	1 070	**1 156**

Independent auditors' report to the members of Itau BBA International plc

Report on the group financial statements

Our opinion

In our opinion, Itau BBA International plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Consolidated Annual Report, comprise:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Consolidated Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Michael Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
25 April 2016

- The maintenance and integrity of the Itau BBA International plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary

Assets under Management ("AuM") – Client assets managed or administered by International Private Banking subsidiaries.

The Bank – Itau BBA International plc.

Basel III – The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision in 2010 and due to be phased in, through CRD IV, from 1 January 2014 onward.

Capital requirements - Amount to be held by the Group to cover the risk of losses to a certain confidence level.

Common equity tier 1 capital – The highest quality form of regulatory capital under CRD IV that comprises share capital and related share premium, retained earnings and other reserves, less specified regulatory adjustments.

Common equity tier 1 ratio – Common equity tier 1 capital as a percentage of risk-weighted assets.

Corporate & Investment Banking ("CIB") – Business segment mainly focused on international financial operations associated with trade and investment relationships between Latin America and Europe.

Coverage ratio – Impairment allowance as a percentage of impaired loans.

CRD IV – The Fourth Capital Requirements Directive refers to an EU Directive and an accompanying Regulation (CRR) that together prescribe EU capital adequacy and liquidity requirements and implements Basel III in the European Union. CRD IV/CRR came into effect on 1 January 2014.

Credit impairment charges – Impairment charges on loans and advances to customers.

Credit Portfolio – Portfolio composed of Loans and advances to customers, Guarantees given (excluding assets given as guarantee) and Commitments.

Credit risk – The risk of the Group suffering financial loss if a counterparty fails to fulfil its contractual obligations under a loan agreement or similar. In the context of risk-weighted assets by risk type, it is the component of risk-weighted assets that represents the risk of loss in loans and advances and similar transactions resulting from the default of the counterparty.

Credit Valuation Adjustment ("CVA") – The difference between the risk-free value of a portfolio of trades and the market value which takes into account the counterparty's risk of default. The CVA therefore represents an estimate of the adjustment to fair value that a market participant would make to incorporate the credit risk of the counterparty due to any failure to perform on contractual agreements.

Cost-to-income ratio – Total operating expenses divided by Total operating income.

Financial Conduct Authority ("FCA") – The statutory body responsible for conduct of business regulation and supervision of UK authorised firms from 1 April 2013. The FCA also has responsibility for the prudential regulation of firms that do not fall within the PRA's scope.

Foreign Exchange ("FX") – Foreign exchange rates related transactions.

Foreign exchange risk – The impact of changes in foreign exchange rates and volatilities.

The Group – Itau BBA International plc together with its subsidiaries.

Impaired loans – Impaired loans are loans where the bank does not expect to collect all the contractual cash flows or to collect them when they are contractually due, due to observed evidence of deterioration. These may include loans that are still performing.

Impairment allowance – Impairment allowance for loans and advances to customers is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary. Changes to the impairment allowances are reported in the consolidated income statement as part of the credit impairment charge.

Interest rate risk – The risk of interest rate volatility adversely impacting the Group's net interest income. It measures the impact of changes in interest (swap) rates and volatilities on cash instruments and derivatives.

International Private Banking ("IPB") – Business segment that comprises the wealth management services provided by the International Private Banking subsidiaries.

Leverage ratio – Tier 1 capital divided by the exposure measure. A non-risk based ratio introduced as part of Basel III that acts as a supplementary buffer to the risk based capital requirements.

Liquidity pool – The liquidity pool comprises cash at central banks and highly liquid collateral specifically held by the bank as a contingency to enable it to meet cash outflows in the event of stressed market conditions.

Loan-to-Deposit ratio – The ratio of loans and advances to customers net of loan impairment divided by customer accounts.

Loan-to-Wholesale funding ratio – The ratio of loans and advances to customers net of loan impairment divided by the amount of wholesale funding.

Market risk – The risk of suffering financial loss due to changes in market prices. In the context of risk-weighted assets by risk type, it is the component of risk-weighted assets that represents the risk of loss resulting from fluctuations in the market value of positions held in equities, commodities, currencies, derivatives and interest rates.

Non-Performing Loans ("NPL") – More than 90 days overdue loans.

Operational risk – The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In the context of risk-weighted assets, it is the component of risk-weighted assets that represents the risk of loss resulting from the above.

Overdue loans – Loans are overdue when a counterparty has failed to make a payment when contractually due.

Prudential Regulation Authority ("PRA") – The statutory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment firms in the UK from 1 April 2013. The PRA is a subsidiary of the Bank of England.

Regulatory Capital – The amount of capital that a bank holds to satisfy regulatory requirements.

Repurchase agreement ("repo") / reverse repurchase agreement ("reverse repo") – Arrangements that allow counterparties to use financial securities as collateral for an interest bearing cash loan. The borrower agrees to sell a security to the lender subject to a commitment to repurchase the asset at a specified price on a given date. For the party selling the security (and agreeing to repurchase it in the future) it is a repurchase agreement or repo; for the counterparty to the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Return on average assets ("ROA") – Calculated as profit after tax and non-controlling interests for the period, divided by average assets for the period.

Return on average equity ("ROE") – Calculated as profit after tax and non-controlling interests for the period, divided by average equity for the period.

Risk-Weighted Assets ("RWA") – A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the PRA.

Tier 1 capital – A measure of a bank's financial strength defined by the PRA. It captures Core Tier 1 capital plus other Tier 1 securities in issue, but is subject to a deduction in respect of material holdings in financial companies.

Tier 2 capital – In the context of CRD IV, a measure of a bank's financial strength, including qualifying subordinated debt and other Tier 2 securities as defined in the Capital Requirements Regulation.

Tangible net worth – Shareholders' equity excluding non-controlling interests adjusted for the deduction of intangible assets and goodwill.

Total capital ratio – Total regulatory capital as a percentage of risk-weighted assets.

Total Exposure – Group's exposure in terms of country of domicile of the final credit risk counterparty (sum of assets, guarantees and commitments by country-risk, net of risk mitigation, and excluding investments in associates, tangible, intangible and other assets, goodwill, revocable commitments, commitment letters and trading securities whose risk is transferred to investors).

Wholesale funding – Funding from banks, debt securities in issue and subordinated liabilities.

Contacts

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