



2nd quarter, 2014 – Earnings Review

Conference Call

Alfredo Egydio Setubal

Executive Vice-President and Investor Relations Officer



Highlights

Recurring Net Income

**R\$5.0
billion**

▲ 9.8% (2Q14/1Q14)

▲ 33.2% (1H14/1H13)

Recurring ROE (p.a.)

23.7%

▲ 110 bps (2Q14/1Q14)

▲ 380 bps (1H14/1H13)

12-month ROE of 22.8%

Better Credit Quality

**3.4%
NPL 90**

▼ 10 bps (2Q14/1Q14)

▼ 80 bps (2Q14/2Q13)

NPL 15-90: 2.7% ▼ 70 bps (2Q14/2Q13)

- **Financial Margin with Clients:** ▲ 7.1% (2Q14/1Q14) and ▲ 10.6% (1H14/1H13) totaled R\$12.7 billion in the quarter and R\$24.6 billion in the semester
- **Financial Margin with Market:** ▲ 43.6% (2Q14/1Q14) and ▲ 72.8% (1H14/1H13) totaled R\$881 million in the quarter and R\$1.5 billion in the semester
- **Loan Loss Provision Expenses:** ▲ 5.0% (2Q14/1Q14) and ▼ 11.5% (1H14/1H13) reached R\$4.5 billion in the quarter and R\$8.7 billion in the semester
- **Commissions and Fees:** ▲ 4.6% (2Q14/1Q14) and ▲ 17.8% (1H14/1H13) reached R\$6.3 billion in the quarter and R\$12.4 billion in the semester
- **Non-interest Expenses:** ▲ 5.9% (2Q14/1Q14) and ▲ 10.1% (1H14/1H13) totaled R\$9.6 billion in the quarter and R\$18.6 billion in the semester
Disregarding Credicard: ▲ 7.1% (1H14/1H13)
- **Improvement in the Efficiency Ratio:** ▼ 60 bps (2Q14/1Q14) and ▼ 110 bps (1H14/1H13) reached 47.1% in the quarter, and the Risk-Adjusted Efficiency Ratio reached 64.8%
- **Loan Portfolio¹:** ▲ 2.0% (2Q14/1Q14) and ▲ 10.9% (2Q14/2Q13)

¹ Considers loan portfolio with endorsements, sureties and private securities

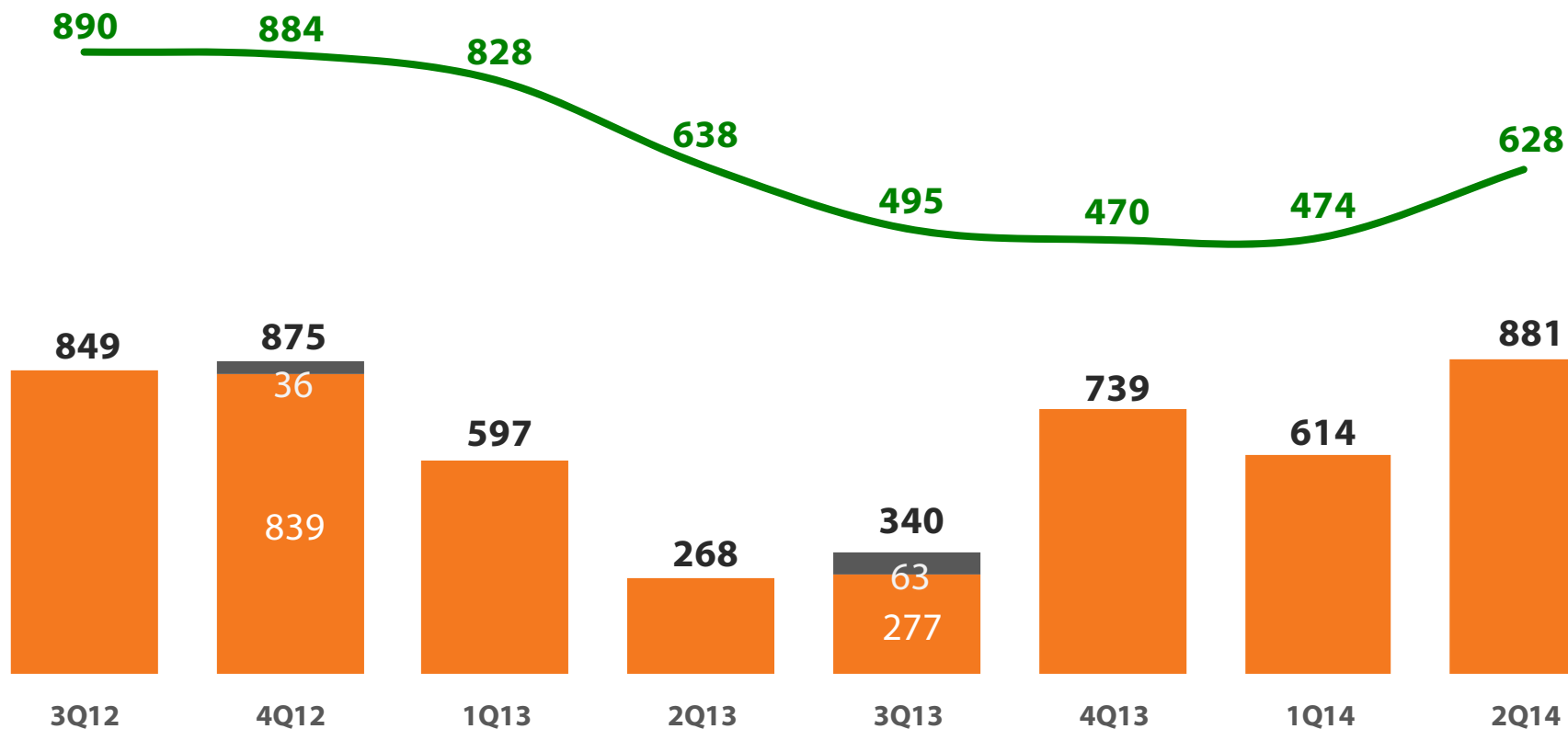
	R\$ million							
				Variation		Variation		
	2Q14	1Q14	2Q13	2Q14 - 1Q14	2Q14 - 2Q13	1H14	1H13	1H14 - 1H13
Operating Revenues	22,118	20,662	19,166	7.0%	15.4%	42,780	37,983	12.6%
Financial Margin with Clients	12,712	11,874	11,305	7.1%	12.4%	24,586	22,234	10.6%
Financial Margin with Market	881	614	268	43.6%	228.7%	1,495	865	72.8%
Commissions and Fees	6,338	6,057	5,399	4.6%	17.4%	12,395	10,521	17.8%
Income from Insurance ¹	2,187	2,118	2,194	3.3%	-0.3%	4,305	4,363	-1.3%
Loan Losses and Retained Claims	(3,711)	(3,651)	(4,164)	1.7%	-10.9%	(7,362)	(8,584)	-14.2%
Loan Loss Provision Expenses	(4,465)	(4,252)	(4,912)	5.0%	-9.1%	(8,717)	(9,851)	-11.5%
Recovery of Credits Written Off as Losses	1,234	1,088	1,262	13.4%	-2.3%	2,321	2,348	-1.1%
Retained Claims	(480)	(487)	(514)	-1.5%	-6.7%	(967)	(1,081)	-10.6%
Other Operating Expenses	(11,050)	(10,464)	(9,965)	5.6%	10.9%	(21,514)	(19,533)	10.1%
Non-interest Expenses	(9,577)	(9,039)	(8,626)	5.9%	11.0%	(18,616)	(16,905)	10.1%
Tax Expenses and Other ²	(1,473)	(1,425)	(1,339)	3.4%	10.0%	(2,898)	(2,627)	10.3%
Income before Tax and Minority Interests	7,357	6,547	5,038	12.4%	46.0%	13,905	9,866	40.9%
Income Tax and Social Contribution	(2,306)	(1,955)	(1,393)	18.0%	65.6%	(4,261)	(2,688)	58.5%
Minority Interests in Subsidiaries	(78)	(64)	(24)	-	-	(142)	(44)	-
Recurring Net Income	4,973	4,529	3,622	9.8%	37.3%	9,502	7,134	33.2%
Non-recurring Items	(74)	(110)	(39)	-	-	(184)	(78)	-
Net Income	4,899	4,419	3,583	10.9%	36.7%	9,318	7,055	32.1%

¹ Income from Insurance includes the Results from Insurance, Pension Plan and Capitalization Operations before Retained Claims and Selling Expenses.

² Includes Tax Expenses (ISS, PIS, COFINS and other) and Selling Expenses from Insurance.

Financial Margin with Market

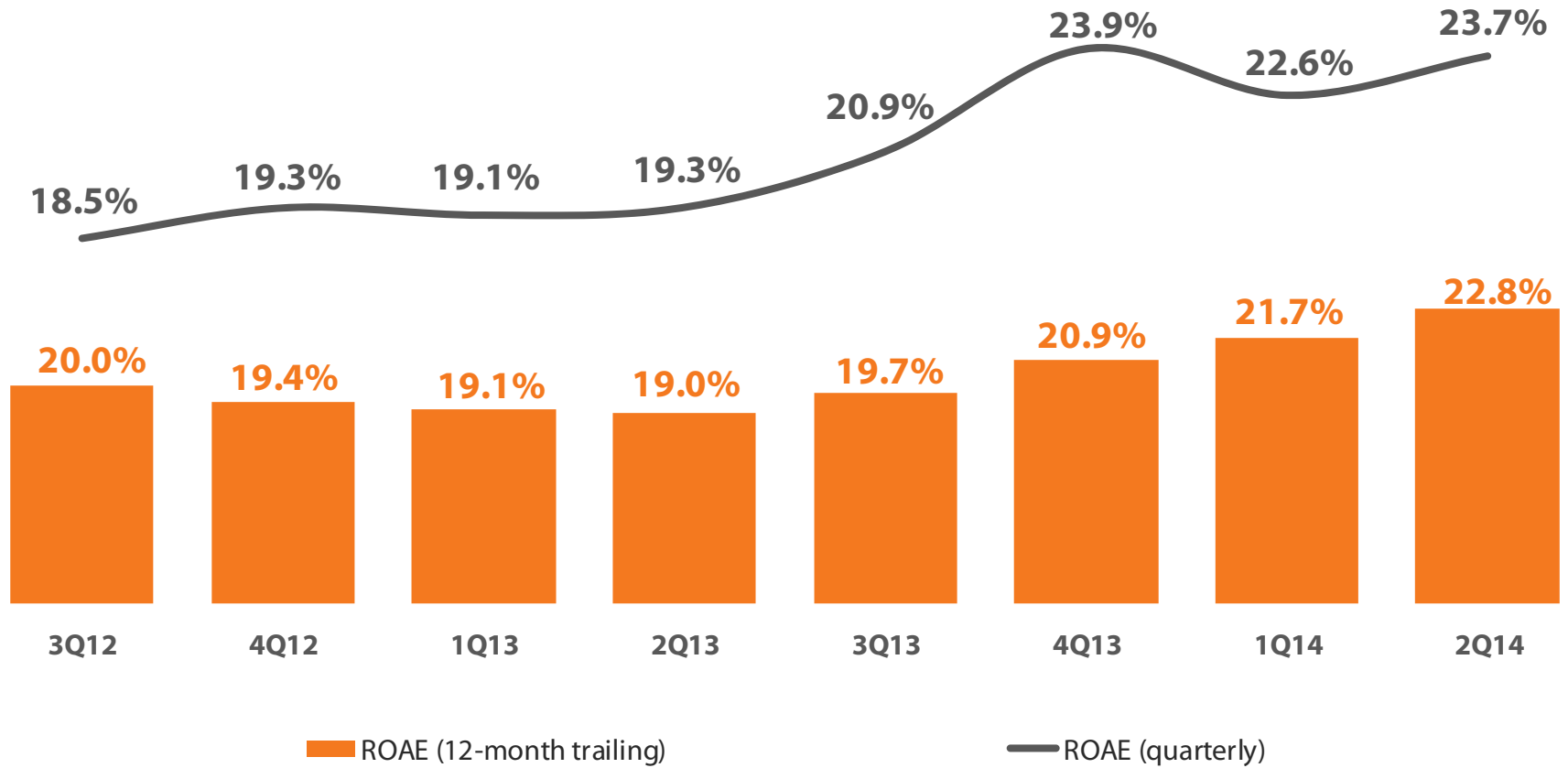
R\$ million



- Gains from the sale of Cetip/ BM&FBovespa Shares
- Financial Margin with Market (ex- Gains from sale of Shares)
- 12-month trailing Financial Margin with Market (ex- Gains from sale of Shares)

The quarterly average Financial Margin with the Market (ex- Gains from sale of Shares), for the period from the 3Q12 to the 2Q14, is R\$633 million

Recurring ROAE

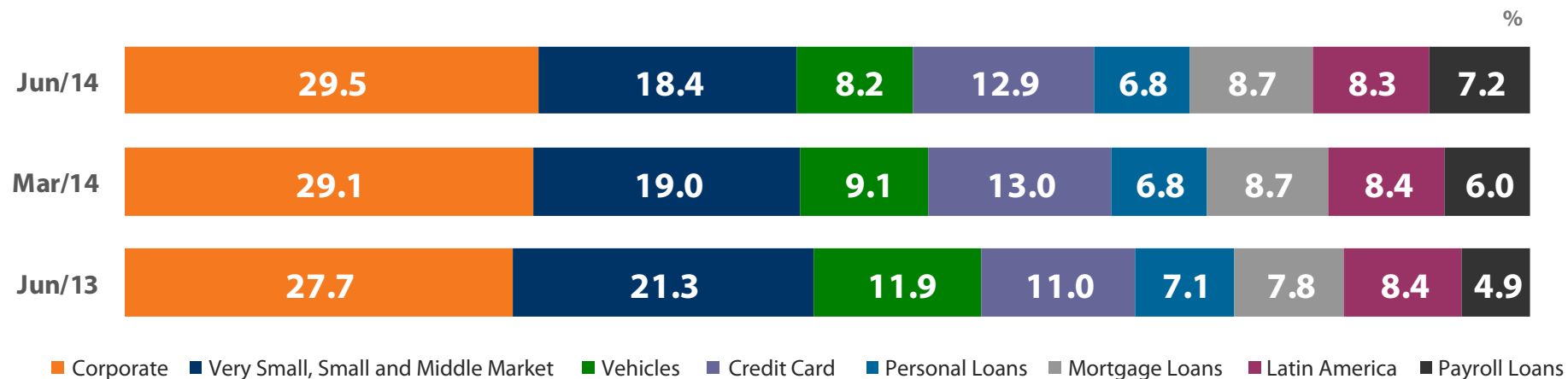


R\$ million

	Jun/14	Mar/14	Dec/13	Jun/13	Variation		
					Jun/14 - Mar/14	Jun/14 - Dec/13	Jun/14 - Jun/13
Individuals	172,441	168,214	168,714	153,386	2.5%	2.2%	12.4%
Credit Cards	53,524	52,966	54,234	41,621	1.1%	-1.3%	28.6%
Personal Loans	28,678	28,274	27,373	27,185	1.4%	4.8%	5.5%
Payroll Loans	29,892	24,652	22,578	18,442	21.3%	32.4%	62.1%
Vehicles	34,068	37,086	40,319	45,302	-8.1%	-15.5%	-24.8%
Mortgage Loans	26,280	25,236	24,209	20,836	4.1%	8.6%	26.1%
Companies	278,573	275,083	275,594	257,372	1.3%	1.1%	8.2%
Corporate	195,714	191,260	190,140	170,967	2.3%	2.9%	14.5%
Very Small, Small and Middle Market	82,859	83,822	85,454	86,405	-1.1%	-3.0%	-4.1%
Latin America	36,609	36,823	39,088	34,355	-0.6%	-6.3%	6.6%
Total with Endorsements and Sureties	487,623	480,120	483,397	445,114	1.6%	0.9%	9.6%
Corporate — Private Securities	30,801	28,126	26,482	22,400	9.5%	16.3%	37.5%
Total with Endorsements, Sureties and Private Securities	518,423	508,246	509,879	467,514	2.0%	1.7%	10.9%

Financial Margin with Clients Breakdown

Loan Portfolio Mix Change ¹

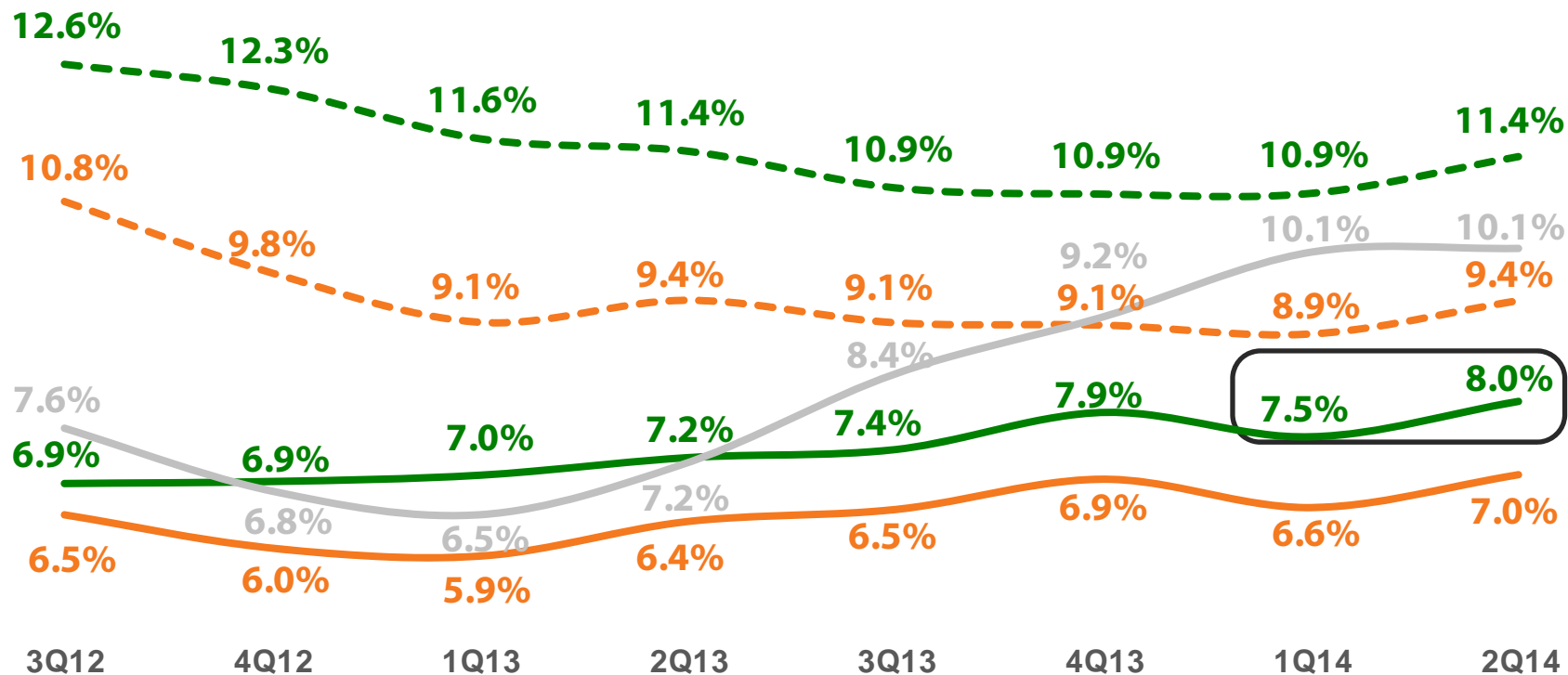


¹ Excluding endorsements and sureties

Financial Margin with Clients Breakdown (Quarter)



Net Interest Margin

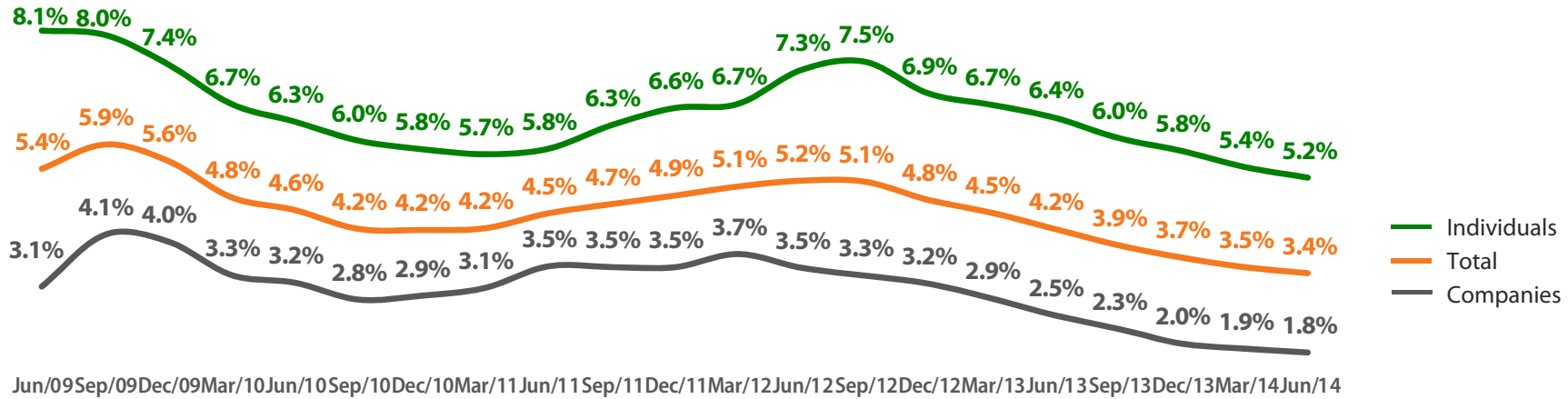


- - - Gross Credit Spread
— Net Credit Spread¹
— CDI

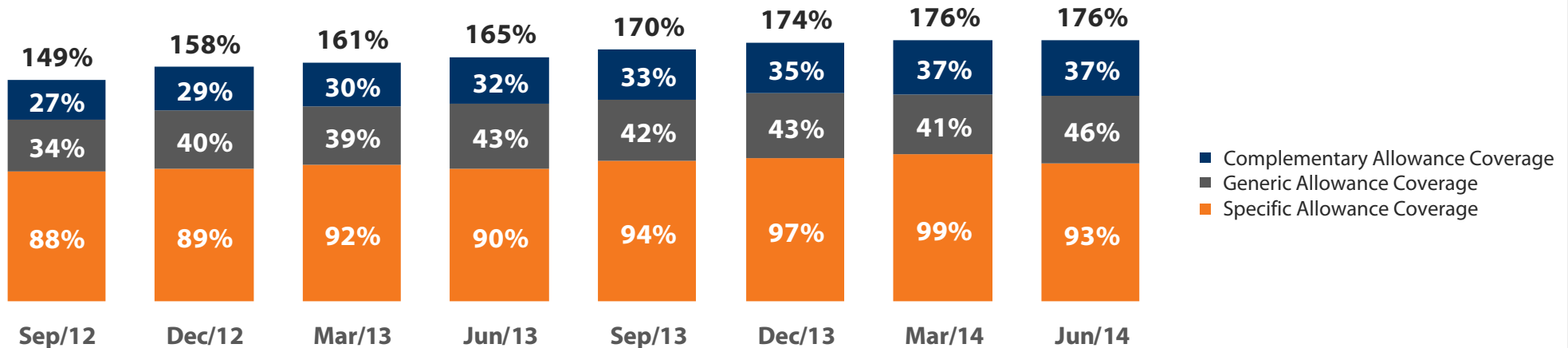
- - - NIM with Clients
— Risk Adjusted NIM with Clients¹

¹ After Loan Loss Provision Expenses, net of Recovery

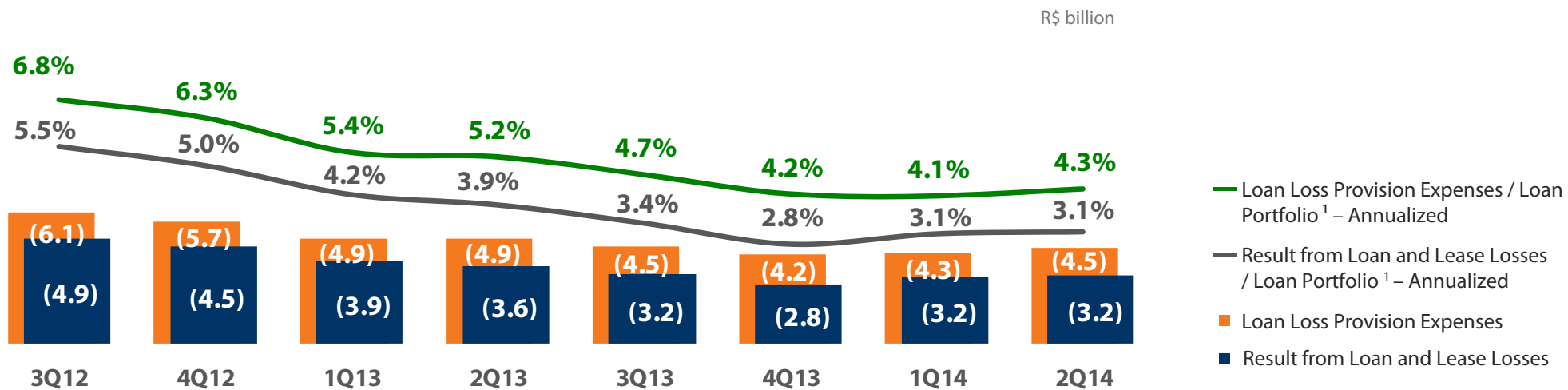
90-day NPL Ratio



90-day Coverage Ratio

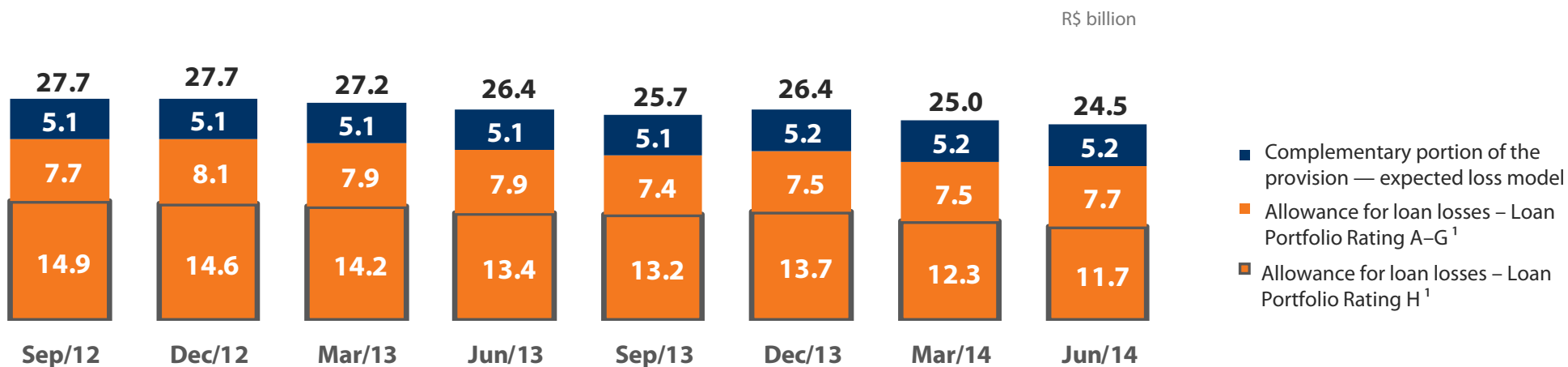


Loan Loss Provisions Expenses



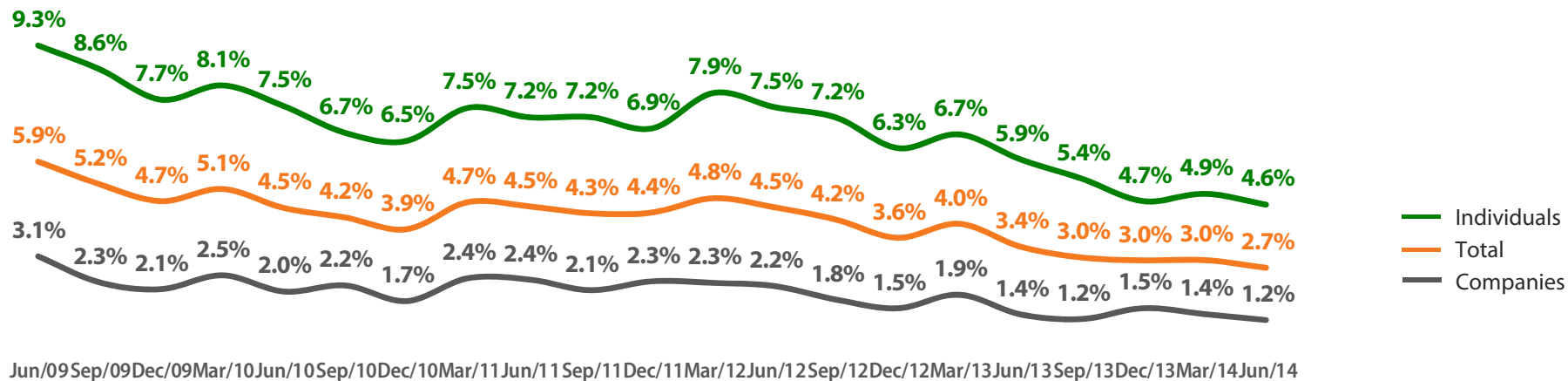
¹ Average balance of the Loan Portfolio of the two previous quarters.

Allowance for Loan Losses

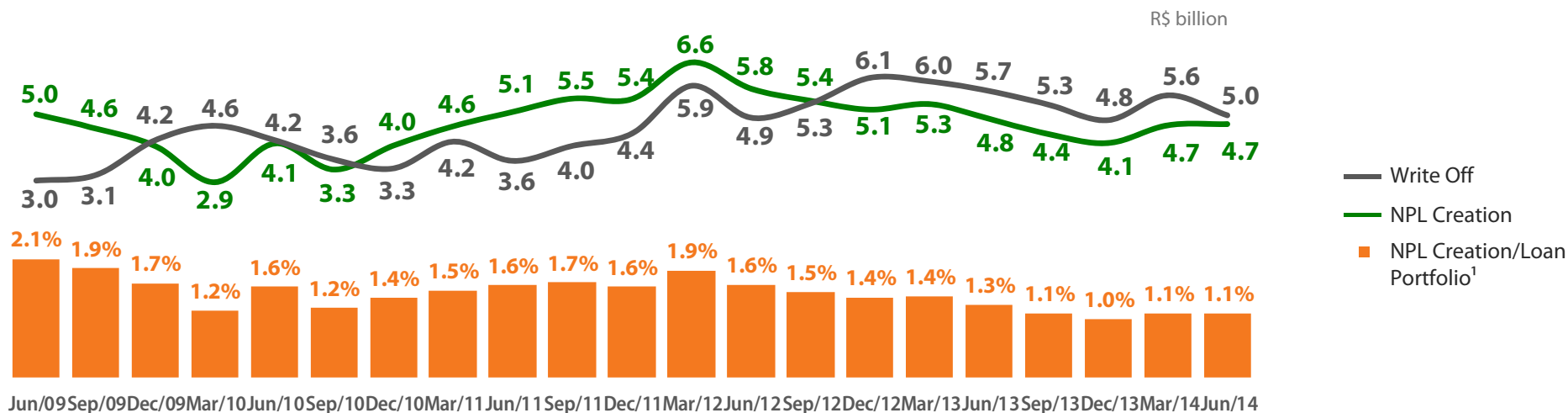


¹ Resolution 2,682/99 CMN

15 to 90-day NPL Ratio



NPL Creation and Write Off



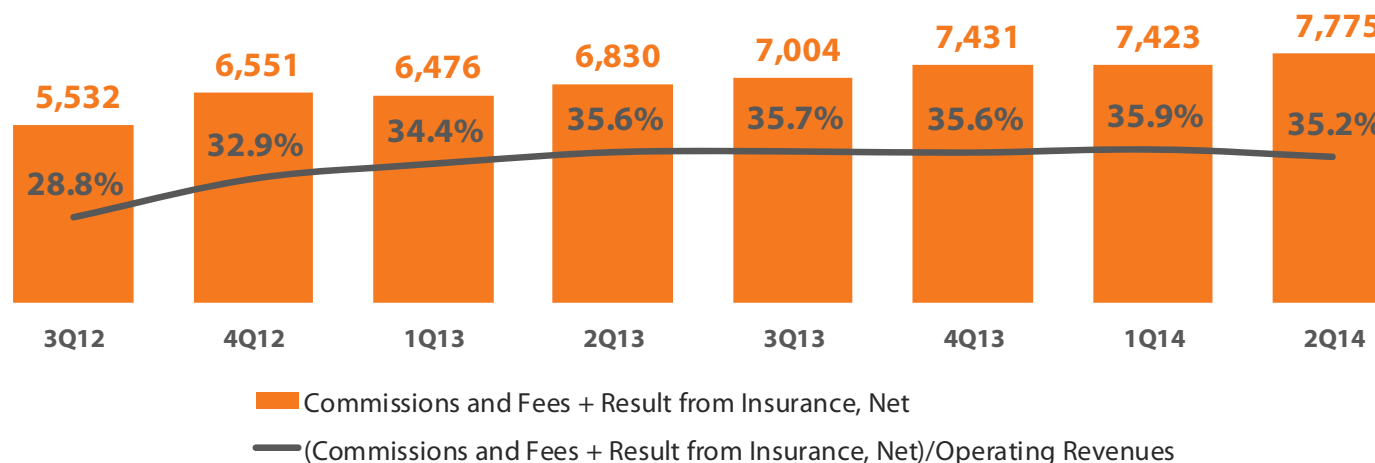
¹ Average balance of the Loan Portfolio considering the two previous quarters

Commissions and Fees and Result from Insurance*

R\$ million

	2Q14	1Q14	2Q13	Variation		1H14	1H13	Variation
				2Q14 - 1Q14	2Q14 - 2Q13			1H14 - 1H13
Asset Management	652	653	585	-0.1%	11.5%	1,305	1,152	13.2%
Current Account Services	1,228	1,137	1,050	8.0%	17.0%	2,366	2,028	16.7%
Loan Operations and Guarantees Provided	760	693	666	9.6%	14.1%	1,453	1,297	12.1%
Collection Services	410	363	361	13.2%	13.5%	773	701	10.2%
Credit Cards	2,682	2,601	2,175	3.1%	23.3%	5,284	4,262	24.0%
Other	605	610	562	-0.8%	7.6%	1,214	1,080	12.4%
Commissions and Fees Income	6,338	6,057	5,399	4.6%	17.4%	12,395	10,521	17.8%
Result from Insurance, Net ¹	1,437	1,366	1,431	5.2%	0.4%	2,803	2,786	0.6%
Total	7,775	7,423	6,830	4.7%	13.8%	15,198	13,306	14.2%
(-) Fees and Result from Insurance from Credicard	206	227	-	-9.5%	-	433	-	-
Total (ex-Credicard)	7,569	7,195	6,830	5.2%	10.8%	14,765	13,306	11.0%

¹ Income from Insurance (-) Retained Claims (-) Selling Expenses with Insurance.



*Commissions and Fees also include Income from Banking Service Fee and Banking Charges and the Result from Insurance includes Insurance, Pension Plan and Capitalization after Retained Claims and Selling Expenses.

Banking & Insurance Operations



R\$ million

	2Q14			
	Consolidated ¹	Banking Operations (without excess capital)	Insurance Operations ²	Excess Capital
Operating Revenues	23,023	19,423	3,318	282
Financial Margin	13,489	13,203	4	282
Commissions and Fees	6,322	6,220	101	-
Income from Insurance ³	3,238	-	3,238	-
Other Components of Operating Revenues	(26)	-	(26)	-
Loan and Retained Claim Losses	(4,210)	(3,231)	(979)	-
Result from Loan and Lease Losses	(3,231)	(3,231)	-	-
Retained Claims	(979)	-	(979)	-
Other Operating Expenses	(11,420)	(10,241)	(1,165)	(13)
Non-interest Expenses	(9,778)	(9,133)	(645)	-
Tax Expenses and Other ⁴	(1,642)	(1,109)	(520)	(13)
Income before Tax and Minority Interests	7,393	5,950	1,173	269
Income Tax and Social Contribution and Minority Interests	(2,420)	(1,872)	(440)	(108)
Recurring Net Income	4,973	4,078	733	162
ROE	23.7%	23.8%	69.1%	5.8%
Efficiency Ratio	46.8%	49.9%	33.2%	-
Risk-Adjusted Efficiency Ratio	66.1%	67.5%	63.6%	-

¹ Excluding the proportional result of our interest in Porto Seguro, our Insurance Risk-Adjusted Efficiency Ratio was 64.8%.

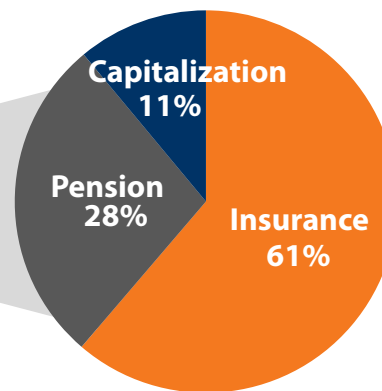
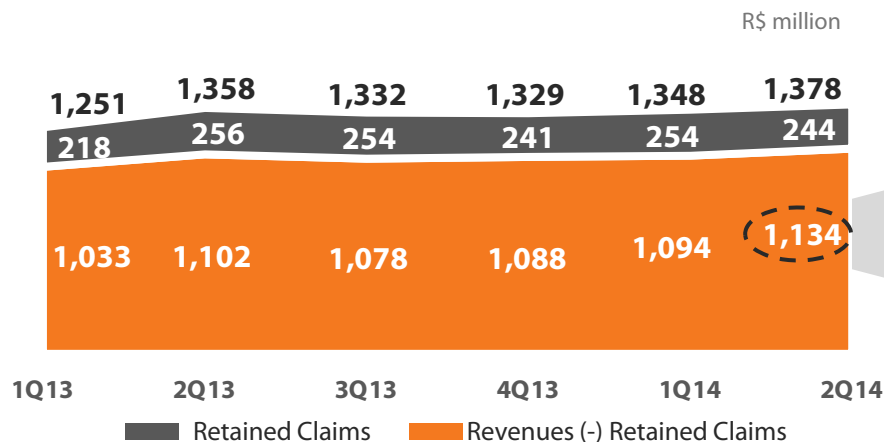
² Considers the proportional result of our interest in Porto Seguro. Note: The Capital of our Banking Operations comes from our Risk Weighted Assets (RWA), considering a capital ratio of 13.75% (11% Basel with a 25% safety margin), and the managerial allocation to our insurance capital operations. Excess capital is the difference between the consolidated capital and that from Banking and Insurance Operations.

³ Income from Insurance includes the Results from Insurance, Pension Plan and Capitalization Operations before Retained Claims and Selling Expenses.

⁴ Includes Tax Expenses (ISS, PIS, COFINS and other) and Selling Expenses from insurance.

Bancassurance Operation ¹

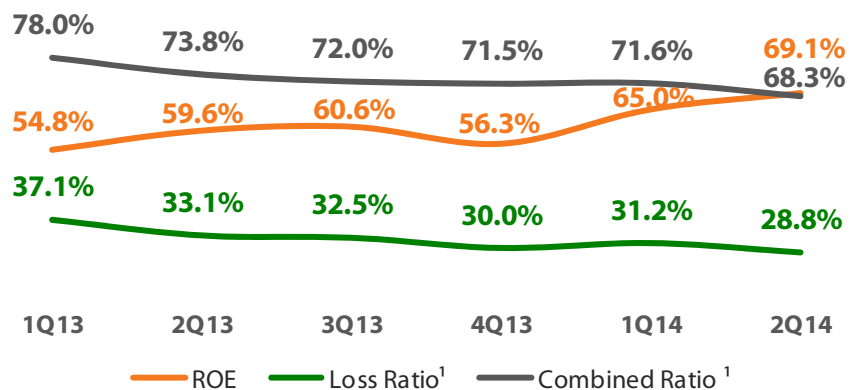
Insurance, Pension Plan and Capitalization operations



Our Bancassurance results are stable and present a low loss ratio, reflecting our portfolio profile

¹ Considers Insurance Earned Premiums, Pension Plan and Capitalization Revenues

Ratios(*)

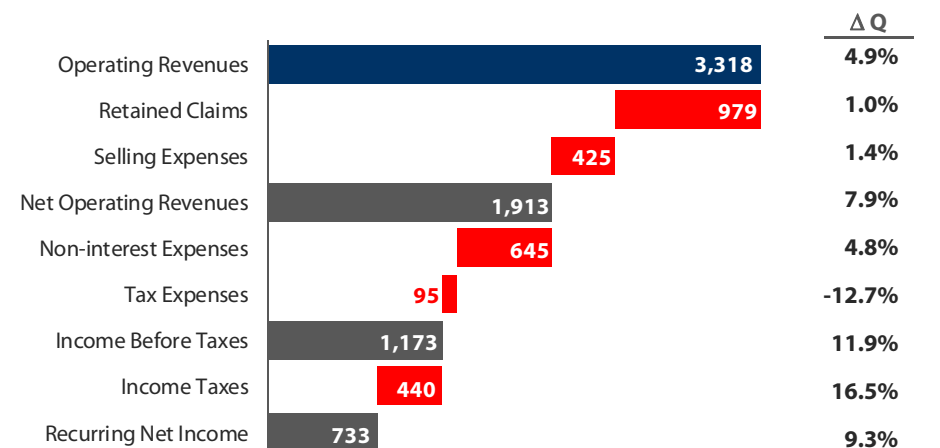


¹ Does not include our 30% interest in Porto Seguro and our health insurance operation.

(*) Considers Insurance, Pension Plan and Capitalization operations

Net Income Breakdown(*)

2Q14 (includes our 30% interest in Porto Seguro)

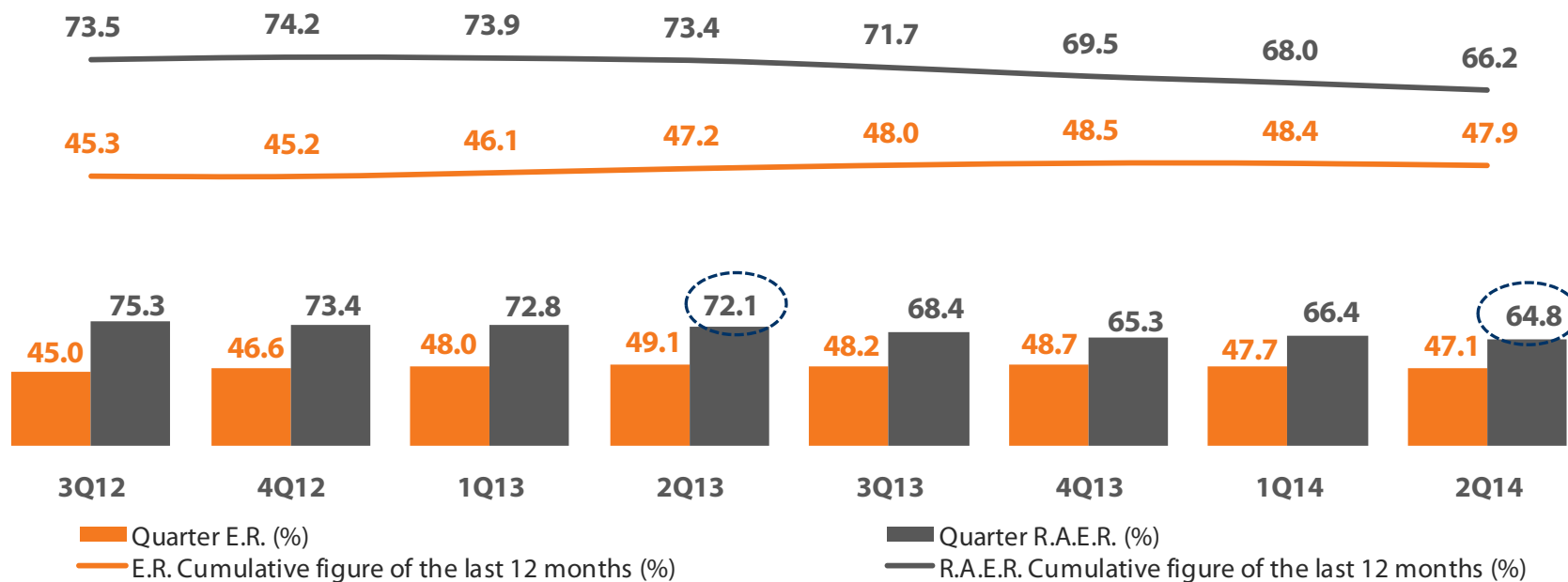


Non-Interest Expenses

				Variation		R\$ million		
	2Q14	1Q14	2Q13	2Q14 - 1Q14	2Q14 - 2Q13	1H14	1H13	1H14 - 1H13
Personnel Expenses	(4,248)	(3,859)	(3,811)	10.1%	11.5%	(8,107)	(7,531)	7.6%
Administrative Expenses	(4,105)	(3,726)	(3,667)	10.2%	12.0%	(7,831)	(7,096)	10.4%
Personnel and Administrative Expenses	(8,353)	(7,585)	(7,478)	10.1%	11.7%	(15,938)	(14,628)	9.0%
Operating Expenses ¹	(1,124)	(1,326)	(1,049)	-15.2%	7.2%	(2,450)	(2,060)	18.9%
Other Tax Expenses ²	(99)	(129)	(98)	-23.0%	0.7%	(228)	(218)	4.8%
Non-Interest Expenses	(9,577)	(9,039)	(8,626)	5.9%	11.0%	(18,616)	(16,905)	10.1%
(-) Credicard Expenses	(246)	(265)	-	-7.0%	-	(511)	-	-
Total (ex-Credicard)	(9,331)	(8,775)	(8,626)	6.3%	8.2%	(18,105)	(16,905)	7.1%

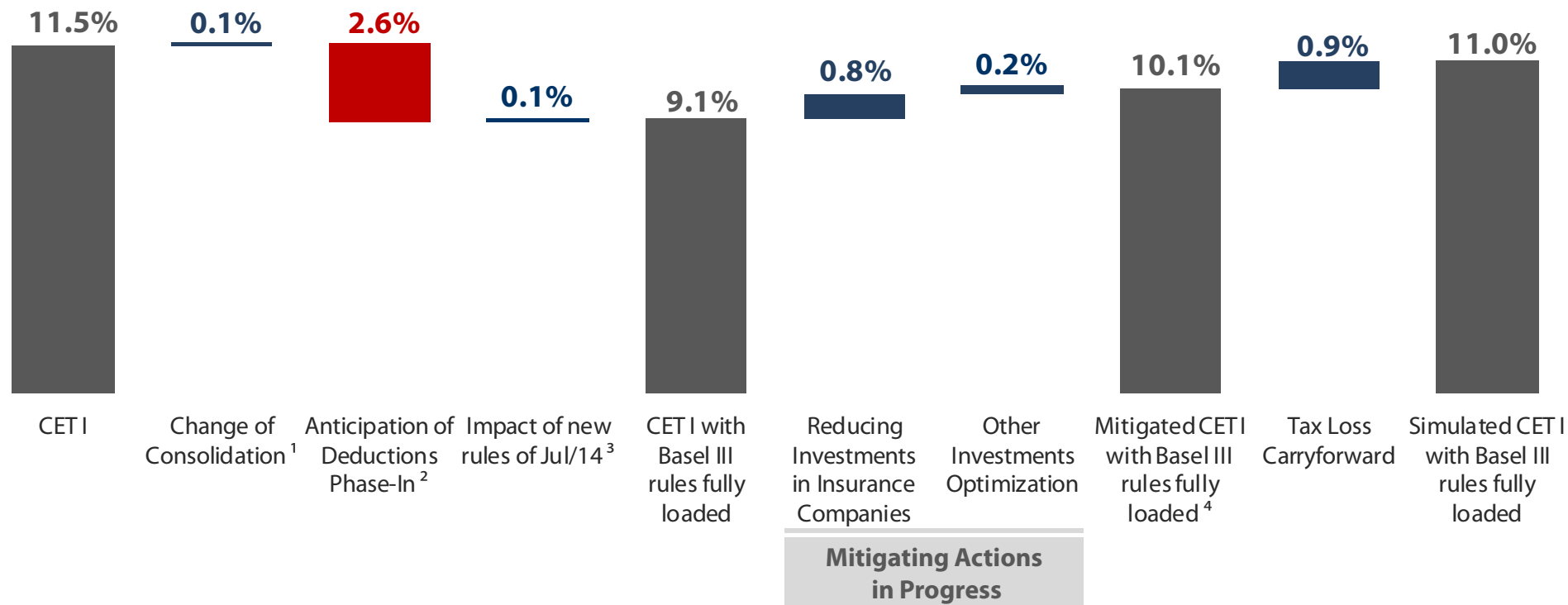
¹ Considers expenses from provisions for contingencies, credit card selling expenses, claims and other.

² Includes IPTU, IPVA, IOF and other. Does not include PIS, Cofins and ISS.



Estimated Core Capital Ratio (Common Equity Tier I – CET I) – Jun/14

Full application of Basel III rules



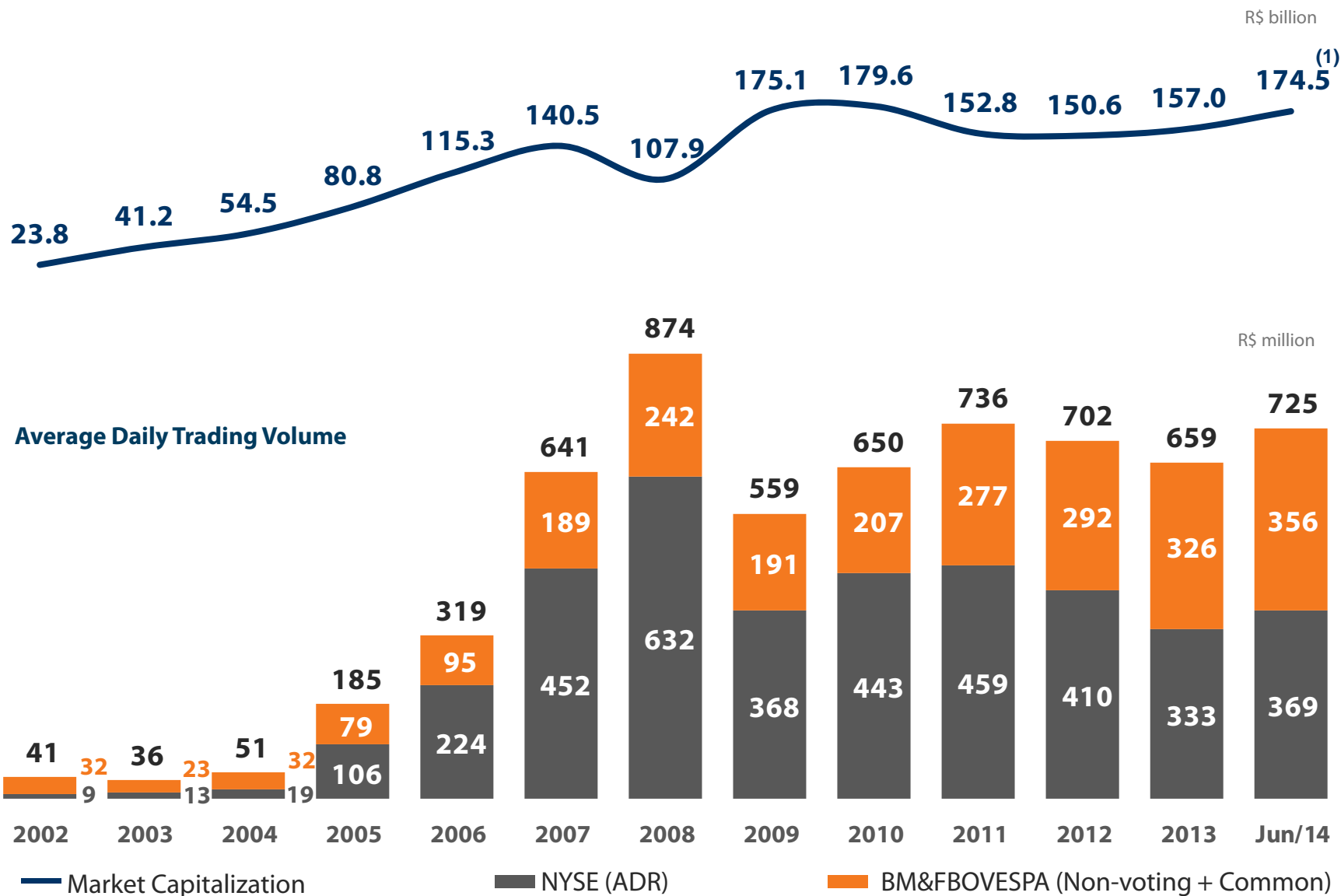
¹ Change of consolidation method from Financial Conglomerate to Prudential.

² Deductions of Goodwill, Intangible Assets, Tax Loss Carryforwards, Deferred Tax Assets, Equity investments in insurance and similar companies, and the F Factor change.

³ Impact of the changes in Circular No. 3,711, amending criteria related to minimum capital requirements for credit risk of retail operations.

⁴ Does not consider any reversal of the complementary portion of the loan loss provisions.

Market Capitalization and Average Daily Trading Volume



⁽¹⁾ On June 30, 2014, Itaú Unibanco was the 21st largest bank in the world in terms of market capitalization (Source: Bloomberg)

Our expectations for 2014 remain unchanged

	Outlook
Total Loan Portfolio	Growth of 10.0% to 13.0%
Loan Loss Provision Expenses net of Recoveries	Between R\$ 13.0 billion and R\$ 15.0 billion
Commissions, Fees and Result of Insurance ¹	Growth of 12% to 14%
Non-Interest Expenses	Growth of 10.5% to 12.5% (between 5.5% and 7.5%, if measured ex-Credicard)
Efficiency Ratio	Improvement of 50 bps to 175 bps

¹ Commissions and Fees (+) Income from Insurance, Pension Plan and Capitalization Operations (-) Retained Claims (-) Selling Expenses with Insurance, Pension Plan and Capitalization.

Note: The outlook does not consider the effects of the Corpbanca operation.

In line with our **strategy of selling mass-market insurance products**, typically related to retail banking, on July 4th, 2014 we signed a **Share Purchase Agreement with ACE regarding our Large Risks insurance operation**.

- The Large Risks insurance operation transferred to Itaú Seguros Soluções Corporativas (ISSC) will be sold off to ACE Ina International Holdings. On December 31th, 2013 this operation comprised:
 - Stockholders' equity of R\$364 million;
 - Assets of R\$5.8 billion;
 - Technical provisions of R\$4.6 billion and;
 - 323 employees.
- **ACE will pay R\$1.515 billion for the operation to Itaú Unibanco and its subsidiaries**, after meeting certain conditions established in the agreement and obtaining the necessary regulatory authorizations.
- The estimated **effect on the pre-tax net income is R\$1.1 billion**.



2nd quarter, 2014 – Earnings Review

Conference Call

Alfredo Egydio Setubal

Executive Vice-President and Investor Relations Officer

