International Conference Call
Itaú Unibanco
Third Quarter 2015 Earnings Results
November 4th, 2015

Operator: Good morning ladies and gentlemen, welcome to Itaú Unibanco Holding conference call to discuss 2015 third quarter results.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. If you should require assistance during the call, please press the star key followed by zero. As a reminder, this conference is being recorded and broadcasted live on the investor relations website at: www.itau.com.br/investor-relations. A slide presentation is also available on this site. The replay of this conference call will be available until November 10th by phone, on +55 11 3193-1012 or 2820-4012 – access code 9067132#

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

With us today in this conference call in São Paulo are **Mr. Eduardo Vassimon**, Executive Vice President, CFO (Chief Financial Officer) and CRO (Chief Risk Officer), and **Mr. Marcelo Kopel,** IRO (Investor Relations Officer).

First, **Mr. Eduardo Vassimon** will comment on 2015 third quarter results. Afterwards, management will be available for a question and answer session.

It is now my pleasure to turn the call over to **Mr. Eduardo Vassimon**.

Mr. Eduardo Vassimon: Good morning, good afternoon, welcome again. For those that are following us at Internet we are at **slide number 2**. I'll start highlighting the recurring net income of the third quarter, R$ 6.1 billion. We consider it to be a robust result particularly considering the environment in Brazil, the economic conditions prevailing in the country. This result is stable considering what we saw last quarter and it's roughly 21% higher than the same result in the first 9 months of last year.

Recurring return on equity was 24%, credit quality stable both for NPL 90-days and 15 to 90-days, we are going to talk a lot about credit quality in the next slides because we consider this to be one of the main points of interest of the market.

Moving to **slide number 3**, given the particular relevance of nonrecurring events at this quarter we produced this slide where I would like to highlight two main events. As a positive nonrecurring event, the social contribution rate increase that was basically R$ 4 billion impact in bottom line, and, as a negative impact, the main event was a complementary provision for loan losses, R$ 2.8 billion after taxes, before taxes this figure is around R$ 4.7 billion. We are going to talk more about this in the next slides.

Going to **slide number 4**, here again 24% return on equity, on a trailing 12 months we have 24.5%, very similar to the figures we saw in the previous quarters, and recurring return on average assets stable in the several former quarters at 1.9%.

Moving to **slide number 5** we have the PNL. I'd like to highlight here the positive increase in financial margin with clients, 4.4% in this quarter and 16.4 in 12 months. This increase is related to the repricing process of risk that we have been conducting in the several previous quarters, and we continued this quarter. Higher funding efficiency and a higher Selic rate also contributed to this positive growth.

Another point that I'd like to highlight is the financial margin with the market: R$ 2.3 billion. That's a non-unusual result, higher than what we consider to be a usual result. We are going to talk more about that in the next slides.

Commissions and fees showed a 10% growth, so slightly above inflation. Result from insurance 1.5% drop. This is related to the fact that the bank is no longer operating in some segments of insurance that we do not consider to be core, like larger risks and extended warranty, and I'd like to call your attention to the fact that retained claims dropped 22% in 12 months, so that the net between result from insurance and retained claims showed a nominal increase in nine months.

Operating expenses in 12 months grew 8.5%, below inflation, here again we are going to give you additional details a little bit ahead, and the bottom line in terms of recurring net income around 21% growth when compared to the first nine months of last year.

Going to **slide number 6**, we have the credit portfolio. The total credit portfolio showed a 10.1% growth in 12 months. If we exclude FX rate variation effect we reach a flattish number in 12 months, in the quarter a reduction of 1.1%. This of course is related to the challenging economic environment where we see a lower credit demand and also reflects a tighter underwriting credit standard that we have been adopting now for several quarters.

When we look at specific business here we see that the payroll loans have grown 25% in 12 months, but when we see the growth in this particular quarter was a modest 0.4%. This is basically because the process of buying portfolios ended, so now we are going to see a more organic growth.

Another line that shows good growth in 12 months is mortgage loans, close to 22% in 12 months, and a robust 5.5% this quarter.

Vehicle loans continue to go down, 9% in this quarter. Corporate loans 9%, slightly below inflation, but if we take out FX rate variation effect this would be a negative growth. So this shows very clear the challenging economic environment we're living.

Moving to **slide number 7** we have here the breakdown of our PNL into two pieces: on one side the credit and trading that is more related to the economic cycle, and on the other side insurance and services that is more resilient to economic cycles. The first piece shows return on equity 15%, a little bit below cost of capital, while insurance and services shows a very strong return on capital.

Moving to **slide number 8**, we have the financial margin with clients' breakdown. We see on the right side of the upper table the three lines of business that have been showing a more robust growth in the past few years: Latin America consistent with our original expansion strategy and mortgage loans and payroll loans consistent with our strategy of moving to lower risk lines of business. The corporate segment also shows an increase, and this is, to a large extent, related to FX effect.

On the lower part of this page we see a positive evolution of financial margins with clients, basically related to the repricing process and the increase of the Selic rate.

Moving to **page 9**, we see the financial margin average rate in annual terms. Spread-sensitive operation shows stability at 10.8%. If we consider the FX effect this would be 10.9; so a slight increase. Adjusted by risk we see a reduction in the green line from 7.1 to 6.9; this 6.9 would be 7.0 considering the FX effect.

Moving to **slide number 10** and talking about financial margin with market, as I mentioned, we do not consider this R$ 2.3 billion as a usual result. This was due to the very high volatility we observed in this third quarter. Just to give you an example, FX rate showed a 28% devaluation in the period. So the ability to take advantage of higher volatility and some directional positions in FX and interest rate allowed us to produce this very robust result. But, again, we do not consider this as a usual result. A more usual result would probably be around, in annual terms, R$ 5 billion. That would be more in line with the historical standards for this line considering, of course, that this is intrinsically volatile line of the PNL.

Moving to **slide 11** and starting to talk about credit quality, on the upper part of this slide we see the 15 to 90-day NPL ratio. We see stability at 3% for the total portfolio. Excluding effect of FX rate variation, the total portfolio would have increased…, the NPL would have increased 10 bps. For individuals we see a small reduction here that we believe to be consistent with the process of adjusting our credit policies that is starting to show consistent results for this 15 to 90-day NPL rate. Companies showed an increase of 10 bps and this period.

Going to the lower part of the slide, the 90-day NPL ratio stable in the total at 3.3%, that would have been 3.4% excluding FX rate variation. When we look at the individuals we see a relevant increase of 50 basis points from 4.6% to 5.1%, that's above what we expected in this particular line of business. Looking ahead we expect to see additional increases in NPL of individuals for 90-day, although at a slower pace, a more moderate pace.

The company's NPL ratio for 90-days showed a reduction of 20 basis points. Here also we expect to see in the future increases of this indicator, particularly because we have some particular cases of corporate loans, relevant corporate loans that will rollover to 90-day past-due situation, and those loans are already to a large extent provisioned.

Moving to **slide number 12** we see here the 90-day coverage ratio, very relevant increase from 187% to 214% of the coverage ratio, basically due to the complementary provision we made in this quarter of R$ 4.7 billion. Just to remind you that this is above, this 4.7 is above the minimum required by local regulators.

As we mentioned already in the past, we don't manage the Bank looking too much this coverage ratio, we follow it, of course, but this is not something where we have a specific target. And we possibly are going to see a reduction in this figure looking ahead as some transactors may become past-due or rollover to 90-day past-due.

Looking the lower part of this page, we see the coverage ratio by segment. In the retail banking segment we see a figure this quarter similar to the one we observed in June and in the wholesale banking portfolio we saw an increase given the more anticipatory aspect of this provision.

Moving to **slide number 13** we compare here the individuals' 90-day NPL ratio with the same figure, the same indicator excluding fully provisioned credits. In the second concept we see a much more modest increase of 20 basis points for individuals. For companies we see stability around 0.5% - 0.6% of 90-day NPL when we exclude fully provisioned credits.

And finally, in this page below, we have a breakdown between very small, small and middle market companies on one side and corporates on the other side, and we see a reduction in corporate indicator and a slight increase in the very small, small and middle market companies that is naturally segment that is more sensitive to the economic cycle.

Moving to **slide number 14**, we are showing this for the first time given the present challenging credit scenario: We are showing here renegotiated loan operations. We see an increase, a nominal increase of R$ 1 billion in this portfolio from 12.5 to 13.5. Roughly speaking 1/3 of this increase is related to FX effect. When we consider this as a percentage of the total loan portfolio, we see 2.8%, that's historically low and basically stable when we look back the several quarters before this one.

On the lower part, delinquency and allowance for loan losses coverage, we see a consistent increase in this indicator, reaching 233%. The 90-day NPL balance showed a nominal reduction from R$ 2.7 in June to R$ 2.5 billion in September, bringing the 90-day NPL ratio down from 21.5% to 18%.

Moving to **slide number 15**, loan losses provision expenses as a percentage of total loan portfolio basically stable around 4.8% - 4.9% in the past few quarters. In the lower part we see a reduction in NPL creation from R$ 5.6 to R$ 5.2 billion and also a reduction in write-offs from R$ 4.7 to R$ 4.3 billion. So NPL creation as a percentage of loan portfolio basically stable around 1% - 1.1% in the past few quarters.

The last slide on credit, **slide number 16**, we see the evolution of loan losses provision, expenses by segment. As expected, we see here a decrease in the wholesale portfolio from R$ 1.8 to R$ 1.4 billion and an increase of the retail portfolio expenses from R$ 3.7 to R $4.3 billion.

Moving to **slide number 17**, going quickly here, just to highlight that we've been growing commissions and fees, and results from insurance, slightly above inflation, 10.2%.

On **slide number 18**, noninterest expenses. In 12 months we show a 8.5% increase, that's below inflation. If we do not consider operations abroad that are of course affected by FX, this would have been 6% growth only in 12 months. If we take the particular quarter, the third quarter, there is a substantial increase of 9.3%, basically due to the 15.2% increase in personnel expenses. Here it is important to explain that when we booked this in September we were still negotiating with banks or still negotiating with the union, and what we booked in September was the proposal we had on the table at that time, that was a combination of a percentage increase with a lump sum payment. So this lump sum payment was booked. At the end of negotiations, stand to be only a percentage increase with no lump sum. So that we are going to see in the 4Q a reversal of this lump sum payment provision, and all considered we are going to see a small reduction in the 4th quarter of personnel expenses.

In the lower part of this page we see the trailing 12 months efficiency ratio continued to go… going down, although in the particular quarter, in the 3th quarter, we saw some increase.

Moving to **page 19** and talking about capital, we had 90 basis points reduction in common equity Tier 1; from 13.2% to 12.3%. The net income of the period was basically offset by increase in tax credit and the combination of dividends distribution mainly, and the growth in RWA, in this case related to FX, produced this reduction.

When we look at CET1 fully loaded, we see a reduction here coming from the common equity 1 12.3% and anticipating the schedule of Basel rules reaching 9.8%. This is influenced by the FX devaluation in the period given the structure of our investments abroad and the hedge of this investment. Considering the FX rate prevailing in the past two days, this 9.8% would be today something between 10% and 10.5%. So we are very confident that we are well capitalized and, given the ability to generate profits and the perspective of loan growth in our credit portfolio, we expect to see this figure increasing in the next quarters.

Going to **page 20**, just to quickly highlight here that in this historical series we are seeing the high in terms of net dividend yield and the low in terms of price earnings. We consider to see…, to be attractive the stock price of our bank today.

Moving to **page 21**, just to briefly mention the shares buyback program. This year we have been particularly active in buy backing shares for capital management or for compliance with our long-term compensation programs. We have bought close to 87 million shares so far this year. We have an open program of 50 million shares, of which we have already used 13.3 million shares.

And finally, moving to **slide 22**, the 2015 outlook. Our expectations for this year, for the total loan portfolio growth, given the FX devaluation, we expect to be above this 7% that is the top of this interval here. In terms of managerial financial margin, given the good result with market and the repricing risk process, here again we expect to be slightly above the top of this interval. For provision for loan losses net of recovery of loans we expect at the end of the year to be around R$ 18 billion, that's the top of this interval. For service fees and results from insurance operations we are probably going to be closer to the low end of this range. And finally noninterest expenses, we are probably going to be closer to the high end because of FX effects.

We are here very committed to work hard to deliver, not only this year but the years ahead, below inflation expenses growth.

So with that I finish my presentation and Marcelo Kopel and myself are available for possible questions that you may have. Thank you.

Q&A Session

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

Our first question comes from Philip Finch, with UBS.

Mr. Finch - UBS: Thank you. What a wonderful and comprehensive presentation. I have three quick questions. First in terms of credit quality, you talked about how delinquencies will likely go up in the coming quarters on the one hand, and then you've also been adding to your complementary provisions and boosting your coverage ratio. So going forward, what sort of costs or provisions to loans can we assume going forward? You mentioned that you've been running at around 4.8% - 4.9% in recent quarters. Is that the run rate that we can still assume or should we assume higher costs of risk going forward?

Second question is regarding your loan growth. Stripping out FX, loan growth was flattish year on year. Looking into 2016, can we assume this remains the case, so we are going to see negative loan growth, in which segments? And when can we anticipate any form of recovery in credit demand?

And lastly, in terms of geographical revenue diversification, what are you planning to do outside Brazil? Obviously not CorpBanca, Chile and Colombia, but are you looking beyond that to Mexico or Peru? Thank you.

Mr. Vassimon: Good morning Philip. Well, we are still in the process of working on our 2016 budget, given the level of uncertainty that we still have in the Brazilian economic and political scenario. We don't have any specific expectations regarding the ratio you mentioned.

What we can say is that given the economic scenario, yes, we expected to see NPL ratios to continue to go up on a moderate pace, but it's premature to have any more precise assessment on the ratio you mentioned, and also the same is through for credit growth. We do not see any relevant, by all means, any relevant credit growth next year. The Brazilian economy most probably is going to contract further next year, although possibly in a lower pace than what we are seeing this year.

In terms of geographical diversification, we have this strategy of overtime reduce a little bit the dependence on Brazilian business. Of course we will always be a very Brazilian-based bank, but with the merger with CorpBanca we are probably going to be close to 20% of revenues arising from…

Mr. Kopel: Credit assets.

Mr. Vassimon: … sorry, credit assets, not necessarily revenues. Credit assets outside Brazil. Yes, Mexico and Peru are countries that we would be interested to be in in the future, but we don't see this frankly in the near future. Our focus now is to consolidate CorpBanca operation.

Mr. Finch: Okay, thank you very much.

Operator: Our next question comes from Carlos Macedo, with Goldman Sachs.

Mr. Macedo – Goldman Sachs: Good afternoon gentlemen, thanks for taking questions. First question, regarding the additional provisions you made in the quarter, and you have a very large balance of additional provisions, you haven't used those additional provisions, if I'm not mistaken, for, you know, for 6 or 7 years. Under what conditions would you use these additional provisions? What would be the situation in which you would promptly use them?

Second question, regarding the securities in your book, I mean, we saw on the held to maturity book there was a fairly substantial decline in the market value, those securities also are available for sale, to some degree, is that something that concerns you regarding capital for the near future? You know, what is the maturity once those securities continue to mature?

Is that something that we should be concerned about? We saw the impact that that had on Bradesco's capital, not as much for Itaú. Is that something that should be something that we worry about over the next few quarters? Thank you.

Mr. Vassimon: Hello Carlos. Your first question, we have built this additional provision cushion precisely to face possible more challenging environment in the future. I think that we would possibly use this if conditions continue to deteriorate further in the next quarters. So it's not something that we don't…, we cannot exclude using this in the future, again, if conditions continue to deteriorate. We don't have any particular trigger for that, it will be to some extent a judgment call, but this was built precisely to use in a more stressful scenario.

In terms of reduction of our bonds in available for sale and a held to maturity, given the volatility in the 3Q, yes, we had some reduction, but as I briefly mentioned during the call, we are not by all means worried about our capital basis. Again, our full CET1 ratio, given present market conditions, would be already above 10%. The ability to generate profits, combined with the lower credit demand, I think will make us… will put us in a very comfortable position in terms of capital, both in absolute and relative terms.

Mr. Macedo – Goldman Sachs: Okay, thank you Eduardo. One question regarding the first answer. You said that you don't manage the bank a looking at the coverage ratio, and obviously you have a lot of rules that you need to follow, is there, you know, and there are no specific triggers that would lead you to use that excess provision. But, just conceptually thinking, would this be because of the chunkiness of the wholesale book, would you think that it would be something that would be driven by, say, a one-time event in wholesale as opposed to a more structural event in retail? Or is there, you know, really know rule that you would follow for that?

Mr. Vassimon: There is really no rule, but both events you mentioned are theoretically covered by this increase in provision. We could use this if conditions in general deteriorate and affect the retail portfolio or could be used if there is a specific large case in the corporate. As we mentioned, we don't have a target for coverage ratio, but as you can see in the charts, we are probably at the high point ever in terms of coverage ratios. So looking ahead I think it's reasonable to expect some reduction, some conversions to the historical levels.

Mr. Macedo – Goldman Sachs: Okay, perfect. Thank you, Eduardo.

Operator: Our next question comes from Tito Labarta, from Deutsche Bank.

Mr. Labarta – Deutsche Bank: Hi good morning, thanks for the call. A couple of questions as well. Just following up a little bit more in terms of asset quality. I know it's hard to see into next year, just given the environment, but maybe if you can provide or maybe quantify a little bit when you say "some moderate deterioration" next year. I mean, do you think like…, would you say that what we saw in the consumer portfolio around 50 basis points, that type of deterioration per quarter, or even maybe a little bit less, as you mentioned, is that what you would consider to be moderate also in terms of the corporate NPLs the can pick up? If you can maybe just give some color on how you see moderate, is that, you know, couple of basis points per quarter or anything significant that worries you particularly, you know, with the addition provisions that you are booking? Is there anything that could kind of surprise you or be worse than expected? As much colors as you can give on that I would appreciate it.

And then also in terms of your margins we continue to see some margin expansion. How do you see your margin evolving into next year? Do you think you can see further margin expansion as that now peaked in terms of your ability to increase spreads?

And then just finally in terms of the trading gains, you know, I know this quarter was very high, but do you think that can reverse a bit in the 4Q or at least would you see up until now? You think you can give back some of those gains this quarter? Thank you.

Mr. Kopel: Hi Tito, it's Kopel speaking. Let's start from backwards on your questions. Talking about the trading gains, when we talk about an usual level of gains, and this is an example, this quarter in particular is an unusual level further gains, what we've have been saying to the market is that the usual level we could expect is around R$ 5 billion for the year, which will mean R$ 1.2 or R$ 1.25 billion a quarter. So that is something that you can keep in mind for that, okay?

Then your question about margin expansion in 2016. When you look at our NIM for this year, it's been growing, slowly growing throughout the year as we've been increasing prices on our spreads on the new originations and, as we've been on the renewals of the back book, we've been repricing those as well. This is an ongoing process, ok. You know, part of the book has been repriced and then new originations are coming day after day. So for next year, even things staying at where they are, the average NIM for next year should be higher than the average NIM for this year. So that's, you know, that's something you could work with.

And the third part or the beginning of your question, which is asset quality, and to your point about this level of increase. The 50 bps that we saw in individuals, to be fair, they were above our expectations. When we mentioned that we were expecting a moderate increase in the second quarter, we were not referring to a 50 bps increase. So it's somewhere lower than that that we consider moderate and we don't see that happening quarter after quarter. And just to finish and wrap up to that point, when you talk about, and you may ask about the peak of the delinquency, which you could, you know, in our base case now, we are talking about more towards the end of 2016 and beginning of 2017. So these are the things that we can consider and we don't consider 50 bps as a moderate increase.

Mr. Labarta – Deutsche Bank: Great, thanks, that's helpful. How about on the corporate portfolio, also when you kind of say "moderate" there and given that probably there could be some chunkiness there or something major, but how do you see that evolving? Because you're already at pretty high levels compared to, over the last year and a half. If you can maybe give some color on the corporate side as well.

Mr. Kopel: Right. Corporate is more discrete behavior, right, so it's not that you model and then use the statistics. We had a meaningful step up on our comps base for this year. There could be additional cases next year, but we are departing from a meaningful base for this year. So, as Vassimon mentioned during his presentation, we are seeing some cases that we have been providing already in…, to preemptive provisioning for those, which will probably show up in the NPLs of the 4th quarter, but those are basically being, to a large extent, already provisioned. So we depart from a high comp base for next year. There could be some increase, but, you know, departing from a very high level. So therefore the debt increase should be something lower than the increase you could see on the individuals.

Mr. Labarta – Deutsche Bank: Okay, fair enough. That's very helpful. And then, sorry, just one follow-up on the trading. I understand on average about 1.2 billion per quarter makes sense. I was just trying to get a sense, you know, given that you had such a huge gain in the 3Q, do you think you could give some of that back in the 4Q, you know, could it be lower than that? Or is it continuing to the high? Just kind of get some more color on the 4Q given we are already more than a month into it.

Mr. Kopel: I mean, you could use that number as a proxy for the 4th quarter as well.

Mr. Labarta – Deutsche Bank: Yes, the 1.2 billion?

Mr. Kopel: Yes, something in that neighborhood.

Mr. Labarta – Deutsche Bank: Great, fair enough. All right, thank you very much.

Operator: Our next question comes from Marcelo Telles, from Credit Suisse.

Mr. Telles – Credit Suisse: Hi, hello everyone thanks for your time. I have two questions. The first one is still regarding the trading. Looking at how much you've been hedging of your investments in foreign subsidiaries, it seems that you remained under-hedged versus your dollar exposure, which means in theory you would be, let's say, long dollars at that stage, at least at the end of the third quarter, so that would be probably the second quarter in a row that you, you know, you would be with that position. Is that something that you believe…, that we could expect that to be more structural and be there, you know, for some time given the high market volatility, which of course in fact this has helped you shield your balance sheet, you know, to some extent compared to some of your peers? So would you expect that to change at some point or you think we should see that for…,to last a little bit longer?

And the second point, regarding asset quality, what is the scenario that you are working in terms of GDP growth next year? What are the downside risks that you see? In your view, how would the loss of an investment grade by Moody's would impact the quality of your loan book? Thank you.

Mr. Vassimon: Hi Marcelo, this is Vassimon.

Mr. Telles – Credit Suisse: Hi Vassimon.

Mr. Vassimon: Hi. On your first question, on trading, as you mentioned, the figure you see is a picture of the position at the last day of the 3Q. So it does not necessarily reflect our position, that's much more dynamic. Having said that we a have part of our investments abroad, a small part, but still, where the hedge is more difficult because of liquidity aspects of markets, for instance, in Argentina and Paraguay. So this is one of the factors that explain why in a certain point in time you may not see a fully hedged figure. And of course, the other aspect is FX positions that we may have from time to time that are dynamic and in this particular case cannot be considered as a structural position.

So coming back to the previous question, I think this trading results are, by nature, volatile, but our best guess as a more usual result would be around R$ 1.2 – R$ 1.3 billion per quarter.

Your second question about asset quality and GDP growth, our call, the call of our economic department today, is a drop of 1.5% GDP next year. What starts to seem a little bit optimistic seen from now, so we are probably going to see a reduction in GDP that is higher than that. Of course this impacts the whole credit environment. And in terms of loss, possible loss of investment grade, I believe that to a large extent it's already priced in. When you see the prices of Brazilian EMBI or CDS, it's already a price of a non-investment grade country. Of course this makes the refinancing abroad more expensive, but a relevant part of this could be refinanced domestically, either to institutional investors or banks. Of course we are following this process very cautiously and analyzing companies on a case-by-case basis.

Mr. Telles – Credit Suisse: Excellent. Thanks for your time.

Operator: Our next question comes from Saul Martinez, with JP Morgan.

Mr. Martinez – JP Morgan: Hi, good afternoon guys. I have two questions. First I'm going to follow-up on the question of cost of risk, in phone that was asked earlier, and understanding that you can't give specific guidance or specific numbers, I will ask in a little bit more of a conceptual way how you think about it and how we should think about it. This credit cycles are obviously challenging to analyze because on the one hand you have derisked, as you've explained many times before, pretty aggressively, there is a mix shift, you were not growing end of the cycle. But at the same time Brazil is going to have a contraction in GDP that, over a 2 - 3 year period that it hasn't been seen probably since the 1930s, which obviously is going to hit asset quality. By looking at your cost of risk metrics, net cost of risk is up about 100 basis points this year versus last year. In the last couple of cycles you've, I think, 11 and 12 about 120, 130 basis points increase, in a way in 09 we saw I think a little bit more than that, previous cycles we may have seen more than that. How should we think about the increase in cost of risk from trough to peak? Given the moving cards and the trends that I mentioned, do you think this is a cycle that, because you have been derisking, that wins out and you don't see as much of an increase or do you think that we should be working with an increase in the cost of risk from trough to peak weather it's 16 or 17? It sounds like you think of 16 that is worse than in past cycles. So conceptually how do you think about it, how do you think the market should think about it?

The second question is somewhat related to… it's on corporate credit. Clearly this is a product where a relatively small number of cases can impact provisions quickly, your expected losses are generally low, I realized that, you know, starting from a high level, as you mentioned, but unexpected losses can be much bigger given your concentration risk. How are you seeing the tail risks today associated with corporate credit? Do you think the economic backdrop or further downgrade that limits companies' ability to fund themselves externally? How do you see the probability or the likelihood of that producing the stress scenario? And again, I realize that is not the base case scenario, but how relevant a risk do you see with corporate credit and provisions spiking much more than what the base case suggests?

Mr. Kopel: Right, it's Kopel. Let's start with your first point regarding the… what could be… how we go between the low end of the NPLs into the high end of that. And to give you like a more short term answer, from what we have seen internally and we are still working on that and finishing, if you take the 2009 number, which is where we peaked there, given all the different components you said about derisking, about GDP contraction, about… and I am adding to that the slow growth we've been having in the portfolio, you know, all the combined at this point makes us understand that we will not reach the peak that we had in 2009. That's the view we have at the moment, ok?

Moving into your corporate lending question, about they are more binary or they are more like a one-time event in each of the cases given that they are big credits. If…, and this happened, and the market has been working on some cases and we are part of that work with the market. So if that happens, and these credits are not necessarily fully provided for, which we've been downgrading quite a bit of them in advance, there is this additional provision that could help us shelter at least part of this pressure.

Mr. Martinez – JP Morgan: Okay, that's helpful. I guess on my first question though, Marcelo, it wasn't more related to you reach the peak of the NPLs, because your mix is dramatically different. It's more the delta that you see in 2009, the delta that you see in 2012 versus 2010, and how that compares to the delta on whether 10 NPLs…really I was asking more on cost of risk provisions to loan. And the question is more along the lines of, how likely…, if my numbers are right, 100 to 150 basis points from trough to peak in the last two cycles, you've had 100 basis points already, do you think that they can get worse than what you've seen in the past cycles or is it too early to tell?

Mr. Vassimon: Hi Saul, this is Vassimon. I think it's too early to tell because we are still in the mid of the process. I think we could not discard the possibility of being higher than what we saw in terms of difference between bottom and top, what we saw in 2009. But it's really difficult to call at this point. We are definitely in a very severe economic situation, so, again, we are going to see NPLs going up. Seen from now it's difficult to say, but we cannot exclude the possibility of having delta that is higher than we observed historically. And having said that, as Kopel mentioned, seen from today, we do not expect to reach the levels we saw in the last cycles.

Mr. Martinez – JP Morgan: Okay, that's great. Thank you very much.

Operator: Next question Anibal Valdez, from Barclays.

Mr. Valdez - Barclays: Hi, good morning Eduardo and Marcelo. So I'm more interested in the underlined dynamics of the loan portfolios. So the first question is related to your indicators. So we saw the increase in the individuals' portfolio NPLs, but the early delinquency rate, which is between 15 to 90 days, didn't show a pick up, so it really comes as a surprise. So how can you explain that the early delinquency rate doesn't show such a dramatic increase in the previous quarters while you have the increase of 50 basis points over 90-days? So that's one of the things that I would like to further understand.

And the other one, regarding that individuals' portfolio. What things are you seeing in that portfolio? Is it deterioration across the board, I mean, credit card, consumer loans and vehicle financing, or is it a specific product, in a specific region, or is it a broader problem in the loan portfolio? Thank you.

Mr. Kopel: Hi Anibal. Let's start with the, you know, where we're seeing the increase in NPLs is coming from credit cards and personal installment loans, which are unsecured lines and these are more sensitive to an environment where we are. But just to make a point on the credit cards, as you probably have seen, three quarters of our portfolio are comprised of transactions and where we are seeing the increase in NPLs is not coming from transactors that are becoming revolvers and getting delinquent, but we're seeing the increase in NPLs within the revolvers portfolio. So it's not that people are changing their behavior and where they are typically people who use the credit cards as a means of payment, and not transactors, and becoming revolvers. So that's one element that I would like to make on the credit cards. And I mentioned also this in NPLs for personal installment loans.

Then, regarding the NPLs, the short terms and the talk to the short-term and the long-term, as we've been, you know, dynamically, you know, managing our credit policies, you know, the fact that we have a reduction in this quarter shows that certain vintages were…, that we did raise the bar and cut the underwrite… increased the underwriting standards have a better behavior and, therefore, rolled over to a lesser extent and the vintages that rolled over this quarter, okay. But that doesn't, you know, that doesn't mean that we expect that the next quarter we would have a similar behavior. Therefore, we are still expecting an increase in the NPLs for individuals in the following quarter, in the following quarters actually.

Mr. Valdez - Barclays: Thank you Marcelo.

Operator: Our next question comes from Victor Galliano, with Barclays.

Mr. Galliano - Barclays: Hi, yes, just a couple of follow-ups for me. In terms of capital, and you show us that you are fully loaded Tier 1 for the 3Q, does that also include the impact of CorpBanca? That's my first question.

And my second one on renegotiated, you give us a broad picture of the amended portfolio and then you give us the renegotiated loans, which are 13.5 billion out of the I think 21.9 billion portfolio you have there. Those 13.5 billion are those all loans that are overdue you or how do you separate the 13.5 from the 21.9, if you see what I'm coming from?

Mr. Kopel: Hi Victor, it's Marcelo. Talking about the renegotiated loans, and as you correctly pointed out, there is a larger portfolio of 20 billion, which is comprised by two pieces, and the renegotiated loans are inserted into that portfolio, which is the R$ 13.5 billion that we have. And in this portfolio what you have is, on page 14 of our presentation, the breakdown of how much of that are overdue credits, which is the R$ 2.5 billion out of the 13.5 renegotiated loans. So that's how you should read our numbers.

Mr. Galliano - Barclays: So there is 2.5 overdue from more than 90 days or starting from one day overdue? How do we…

Mr. Kopel: Yes, it's 90 days overdue… sorry, it's 90 days overdue.

Mr. Galliano - Barclays: Okay, okay.

Mr. Kopel: Okay? And then, your second question about the capital, CorpBanca is not included in that 9.8 that we show on the capital projections and in neither are the future profitability. So CorpBanca will be an impact of approximately 80 basis points in our numbers, okay? Therefore, you should do the math and also take into consideration that, since FX has an important influence in our number, the sensitivity now is that looking at current FX rate we are more like between 10 and 10.5 at the moment.

Mr. Galliano - Barclays: So an 80% hit on 10 - 10.5 is what you're saying?

Mr. Kopel: I'm saying that the 9.8 today that we show in page 19 talks to 10 to 10.5 given the FX movement.

Mr. Galliano - Barclays: All right. And CorpBanca is…

Mr. Kopel: Which basically you reduce… yes, reduce the DTA and so one and so forth.

Mr. Galliano - Barclays: Okay. All right, thank you very much.

Mr. Kopel: You're welcome.

Operator: Our next question comes from Carlos Gomes Lopez, with HSBC.

Mr. Lopez - HSBC: Hello, good morning and thank you for taking the call. Just to give you a break on asset quality, questions on different matters. First, in the use of the DTAs, you mentioned 540 million provision for contingencies and in the announcement you mentioned that… at least largely refers to economic plans. That's a large amount, that's almost 1 billion pretax. Is this something that you expect to be one-off? Is it recurrent? And would be included provisions for collective claims?

And the second question is, what do you expect your tax rate to be in 2016 given the past changes? Thank you.

Mr. Kopel: Hi Carlos, it's Kopel speaking. You know, the 540 million that we had as a non-recurrent is comprised by a number of things, including the economic plans. But we did have a corporate restructuring or legal entity restructuring which accounted for less…, for more than…, for approximately more them a half of this R$ 540 million. So this is not something that will be repeating itself, okay? And that's why it was classified as a one-time or as a non-recurring item, okay? And then …

Mr. Lopez - HSBC: Sorry, could you give more info about that legal entity restructuring?

Mr. Kopel: Sure, sure. We reorganized our legal entities abroad, outside Brazil, and by doing that certain taxes were triggered, and this is the reflection of those taxes related to this reorganization.

Mr. Lopez - HSBC: I see, thank you.

Mr. Vassimon: This is Vassimon, Carlos. On your question about the tax rate, with the increases we expect to see this close to 37% next year.

Mr. Lopez - HSBC: Oh, and that includes already the reduction of interest on capital to 5% presumably?

Mr. Vassimon: Yes.

Mr. Lopez - HSBC: Thank you very much.

Operator: Our next question comes from Boris Molina, with Santander.

Mr. Molina - Santander: Yes. I have a question regarding the outlook for pricing and corporate spreads. If you look at the spreads over Selic of non-earmark loans in Brazil, which is probably the larger driver of your corporate spreads, this has continued to expand on a pre-provision or pre-NPL level view throughout the last year and a half, even in the last month, despite that the headlines spreads declined, you know, the relevant spread continued to expand. However, when you deduct in a performing loans for non-earmark loans or private sector, basically the risk-adjusted spreads on that merger have been flat for almost a year and a half, almost two years. So the behavior of the banking even seems to be that they are increasing spreads along with costs of risk.

Now, my question has to do, you know, what is the behavior going to be like if you have pre-provision cost of risk ahead of time? Is there any room for the spreads for companies to continue to expand? Because when we look at it on a cyclical adjusted basis for unsecured personal loans like credit cards, we see the spreads going back to record highs and peak levels we've seen in the past cycles, but this is not the case for corporate lending. So, you know, if we think that, you know, Brazil is becoming, you know, fairly dysfunction in terms of the way the fiscal accounts are being managed and very ineffective management; is there room for the industry to price higher recurrent cost of risks going forward or let do allowance levels you have right now? Do you think that corporate spreads can continue to expand in 2016? What is your outlook for further spread expansion in 2016?

Mr. Kopel: Hi Boris, thank you for your question. Let me just put things in the context. Yes, as you pointed out, banks have been pricing the increase in risk, you know, when you look, depending on how you look at the series, the fact that spreads after cost of risk have been relatively stable, it confirms that the banks have been pricing that accordingly.

In the scenario this far where risk tends to increase, two things can happen in our case: to the extent the credit is a credit that we would like to underwrite, we would price it accordingly, okay, but, you know, there would be cases where we may forgo credits in the sense of making new credits given the fact that, you know, it's not a matter of price, but it becomes that, it's the fact that they became riskier than we would like to underwrite and, therefore, you would have a volume impact, and, and…, because we would forgo those particular credits to the market, okay. So in another words, we would probably not put ourselves in an adverse selection situation just because we can price it more.

Mr. Molina - Santander: Okay, wonderful. So basically you would, you know, you could price it right and the operation could take place at the right price, but because of the risk you would just basically decline to take the volume.

Mr. Kopel: Yes, there are situations where certain clients that, they… it doesn't become a matter of price, but it becomes a…, they don't feed our credit appetite.

Mr. Molina - Santander: So, if you think about it in this context, then the build-up of excess provisions that we've seen in the last year in a half is truly alarming because it gives an idea of day level of expected losses you expect on your corporate loan, but for the provision coverage has been higher. So seen in this light it is not that the spreads to good borrowers subsidize weak borrowers, it's that the weak borrowers are pretty large and that is reflecting on your wholesale corporate coverage ratio, no?

Mr. Kopel: I don't think the word should be "alarming" because, you know, as you will recall, at the end of last year we expected a softer economy and we build to R$ 1.1 billion of additional complementary provision, okay, And this is another build-up we've been doing for a softer economy. And as Vassimon mentioned before, you know, there could be instances that we may possibly use this coverage, okay, but again, the visibility is low at the moment, therefore, where we are now we will continue to proactively provision credits to the extent we feel that they are weaker. I'm talking about the corporate loans specifically. And we will continue to do that on the rollovers of the individual portfolio as well. So I wouldn't use the word alarming as…, for the situation, but it's a delicate situation in the sense that we are very careful of the underwriting standards.

Mr. Molina - Santander: Okay, wonderful. Thank you so much.

Operator: Our next question comes from Eduardo Nishio, with Banco Plural.

Mr. Nishio – Banco Plural: Thanks for taking my question. I have two questions. First one is regarding your wholesale banking. If you look at the performance of the wholesale banking unit, you see that they are underperforming for quite a while the other units, and it has been widely commented in the press that the wholesale banking is under a deep reorganization. I was wondering if you can comment a little bit more, give us a little bit more color on what's going on there, and if you can give us the broader plan and if we for can expect some improvements in the near term or when it's going to happen? I would appreciate it. That's the first question than I would do my second later. Thank you.

Mr. Vassimon: Hi Eduardo, this is Vassimon. Yes, it is true that results of the wholesale Bank division were not too brilliant recently, but it is basically related to the economic situation in terms of increasing cost of credit risks. So this is the main driver of the underperforming of this division. And the adjustments that have been made in the structure of the Bank are a reflex of a major restructuring of the Executive Committee of the Bank in the beginning of this year and are not related to the recent performance of the division. Historically, wholesale bank have been performing very well and this particular year, again given the economic situation, was a poor performance and the changes are adjustments in the structure without changing by all means the focus and the relevance and the importance of the division.

Mr. Nishio – Banco Plural: Okay, thank you. My second question is a follow-up on a comment that the peak in delinquency would be in the first half of 2016. I was wondering if you can develop a little bit more, if we look to the past environment, the economic downturn has been worse than I think most expected, we are probably going through the worst economic environment since the 30s and the unemployment is expected to peak in the second half of 2016. I was just wondering how comfortable or confident you are with the delinquency peaking in the first half instead of, you know, a more prolonged difficult scenario? Thank you.

Mr. Vassimon: Eduardo, I think it was some type of misunderstanding. What we mentioned is that we believe, seen from today and given all the incertitude of the environment, that we expect the delinquency to pick between the second half… the end of next year and the beginning of 2017. So not in the first half of next year, because, again, we are expecting 2016 to show another GDP drop. So we don't see situation improving in the first half of next year. We are expecting again to have it peaking by the end of next year/beginning of 2017.

Mr. Nishio – Banco Plural: Perfect. Thank you so much.

Operator: As a reminder, if you would like to pose a question, please, press star one.

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

Mr. Vassimon: Thank you again for participating in our conference call. Just to reiterate our message that we believe that third quarter results were quite positive given the very challenging environment of the Brazilian economy. We believe that we have reinforced and protected substantially our balance sheet with additional provisions that were built in this quarter, we believe that we are well capitalized and prepared to take advantages of the improvement of the environment that we may see within one year or two years in the future.

Thank you again.

Operator: That does conclude our Itaú Unibanco Holding earnings conference call for today. Thank you very much for your participation and have a good day.