Brazilian economic profile

2012/2013

• Economic growth (GDP)
  • 2012: lower than 1%
  • 2013: Expected to grow
• More regulation of tariffs
• Infrastructure investments
• Low interest rates
• High indebtedness
• Low unemployment
• Emerging middle class (55% of the consumers)
• Dependent on exports of raw materials
• Inflation higher than the central bank’s target of 4.5%
After the association we became the biggest bank in the southern hemisphere.
Itaú Unibanco Bank’s activities

World Activities

<table>
<thead>
<tr>
<th>Region</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>Argentina, Brazil, Chile, Paraguay, Peru, Uruguay and Colombia</td>
</tr>
<tr>
<td>Central America</td>
<td>Cayman Island and Bahamas</td>
</tr>
<tr>
<td>North America</td>
<td>USA and Mexico</td>
</tr>
<tr>
<td>Europe</td>
<td>Germany, Spain, France, England, Luxemburg, Portugal and Switzerland</td>
</tr>
<tr>
<td>Asia</td>
<td>China, Japan and Hong Kong</td>
</tr>
<tr>
<td>Middle East</td>
<td>United Arab Emirates</td>
</tr>
</tbody>
</table>

Activities in Brazil:

- North: 130
- Northeast: 349
- Center-West: 364
- South: 759
- Southeast: 3,117
Itaú Unibanco | Segments

According to specific business areas

Segmentation

Commercial clients

Consumer clients

Itaú BBA
Itaú Institutional Clients
Public Sector
Small and medium-sized Enterprises
Itaú Business (individuals)

Institutional clients

Public Sector
Small and medium-sized Enterprises
Itaú Business (individuals)

Investments, Loans and Insurance

Itaú Private Bank
Itaú Personnalité
Itaú Uniclass
Itaú
101 of the biggest companies in the world are in the BRICs

among the 16 biggest banks in the world, in market value

5 From the BRICs 1 Brazilian

* BRICs – Brazil, Russia, India, China and South Africa

(*) Amounts for September 30, 2012 – Source Bloomberg
(**) BRICs – Brazil, Russia, India, China and South Africa
Itaú Unibanco’s sustainability route
The sustainability route I Evolution of the theme

**Tendency**
- New technologies, social behaviors, economic pressure, etc.

**Social Articulation**
- Market Initiatives
- Social commitments
- GRI, PRI, Equator Principles

**Political Articulation**
- Legal Basis – Risk
- Access to capital – Return
- Value - beliefs
## The sustainability route I Banking Risks and Opportunities

<table>
<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regulatory and political uncertainty</td>
<td>• New climate-friendly markets</td>
</tr>
<tr>
<td>• Reputation risk</td>
<td>• Growing markets due to technology</td>
</tr>
<tr>
<td>• Inadequate integration of climate change</td>
<td>transfer</td>
</tr>
<tr>
<td>• Social unrest after disasters</td>
<td>• Returns by integrating climate change</td>
</tr>
<tr>
<td>• Macroeconomic downturn</td>
<td>into standard internal business</td>
</tr>
<tr>
<td>• Unpredictable impacts on global markets</td>
<td>processes</td>
</tr>
<tr>
<td>• Compounding risk negates diversification</td>
<td>• Reputation if associated with positive</td>
</tr>
<tr>
<td>• Impacts on own assets and operations</td>
<td>response</td>
</tr>
<tr>
<td>• Higher energy cost internally</td>
<td>• Public/private partnership</td>
</tr>
<tr>
<td>• Greater pressure on public purse for disaster</td>
<td></td>
</tr>
</tbody>
</table>

Adaptation of UNEP Finance Initiative Online Course on Climate Change: Risks and Opportunities for the Finance Sector
Connecting sustainability at different levels of the institution
The process of connecting sustainability

**History**

*Itaú and Unibanco had initiatives on sustainability since the 90’s.*

*The merge, in 2008, settled a new bank and increased the responsibility and commitment to sustainability.*

**Table: The Process of Connecting Sustainability**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Dow Jones Sustainability World Indexes (DJSI)</td>
</tr>
<tr>
<td>2003</td>
<td>Microcredit Social-environmental risks</td>
</tr>
<tr>
<td>2004</td>
<td>Conscious use of money Social-environmental funds Bandeirantes Thermoelectric Plant</td>
</tr>
<tr>
<td>2005</td>
<td>Corporate Sustainability Index (ISE) Sustainable Governance Environmental Assurance</td>
</tr>
<tr>
<td>2006</td>
<td>Itaú Sustainable Dialogs AA1000</td>
</tr>
<tr>
<td>2007</td>
<td>Social-environmental risk policy Ranking of the 20 most sustainable companies (Guia Exame) New products</td>
</tr>
<tr>
<td>2008</td>
<td><strong>Itaú and Unibanco’s Merge</strong></td>
</tr>
<tr>
<td>2009</td>
<td>Policy and Essence of Sustainability Bank of sustainable Ideas New products (Legal person and investments) Panel with stakeholders about the essence of sustainability</td>
</tr>
<tr>
<td>2010</td>
<td>Conscious use of money: focus on the employee Planning and repositioning</td>
</tr>
<tr>
<td>2011</td>
<td>Construction of the map of risks and opportunities Sustainable bank of the year in the world award</td>
</tr>
<tr>
<td>2012</td>
<td>Sustainable bank of the year in the Americas award Conscious use of money: focus on the client</td>
</tr>
</tbody>
</table>
The process of connection sustainability I Our context

To develop the sustainability strategy of Itaú Unibanco, internal and external references and expectations were analyzed.
To be the leading bank in sustainable performance and customer satisfaction
3 questions guided the construction of the bank’s sustainability strategy

1. What is **sustainable performance** and what is the relation between Sustainable Performance and **Sustainability**?

2. Which should be the bank’s **priorities** in Sustainability?

3. How to connect sustainability with the **business agenda** and define an **action strategy**?
The process of connecting sustainability | Process

The process of defining and introducing the sustainability strategy into the bank at different levels with involved personnel

1. Executives interview
2. Documents Analysis
3. 5 workshops with representatives of business areas
4. Workshop with directors
5. Map drawing
6. Presentation to the Sustainability Committee
7. Executive Committee validation
Sustainable Performance

is generate **shared value** to employees, clients, shareholders and society ensuring the continuity of the business.
Sustainable Performance

- Permanent dialog to understand expectations
- Partner in the development of people, society and country
- To be the transformation agent

- Long-term relations
- Financial result

- Equilibrium in the relations
- Financial solutions according to the client's life cycle
- Transparency
- Financial Education
- Loyalty
- Integration of ESG criteria in the risk assessment and product design

- People's development
- Incentives
- Meritocracy
- Culture and organizational climate
The process of connecting sustainability

3 strategical focuses and 4 enabler fronts guiding the implementation of the sustainability strategy into the organization

To be the bank leader in sustainable performance and customer satisfaction
Sustainability to Itau Unibanco
What is sustainability to Itaú Unibanco? | Strategic Focuses

Financial Education

Understand people’s needs to offer knowledge and appropriate financial solutions, contributing for individuals and companies to have a healthy relationship with money.

Social-environmental Risks and Opportunities

Search business opportunities and manage environmental risk, considering market trends, regulations, customer demands and society.

Dialog and Transparency

Build long-term relations based on trust to improve our business and generate shared value.
What is sustainability to Itaú Unibanco? I Enabling fronts

Enabling sustainability strategy to be part of decision making process

**Governance and Management**
- Definition of guidelines, targets, indicators and implementation of management system
  - Sustainability Dashboard
  - Governance involving senior manager
  - Corporate Policy
- Strengthen the efficiency agenda with new variables
  - Ecoefficiency
  - Greenhouse Gas Emissions Inventory

**Efficiency**

**Culture**
- Prepare people to respond to new challenges
  - Alignment with our way of making it happen
  - Alignment to our vision
  - Employee engagement and training
- Help to align incentives with sustainable performances
  - Long-term incentives
  - Alignment with the brand and reputation management

To be the leading bank in sustainable performance and customer satisfaction
## What is sustainability to Itaú Unibanco? I Social-environmental initiatives

### Credit

- Definition of a Social-environmental Risk Policy for Credit to client companies with a limit above U$2,5 million
- In 2012, 6,507 companies were analyzed under the policy criteria.

### Equator Principles

- In 2011, 9 project finance analyzed under the policy of the equator principles, assuring that the projects were developed in a socially and environmentally responsible way

### Principles for Sustainable Insurance

- Signed in 2012 in the Rio+20
What is sustainability to Itaú Unibanco? I Example PRI

### Principles for Responsible Investment (PRI)

- In 2012, more than 60% of our equities were mapped with ESG (environmental, social and governance) externalities, and the goal is to achieve 80% in 2013.
- Analysis of parts of the negative externalities, understanding how they can become **opportunities of differentiation**

### Rational of the analysis

<table>
<thead>
<tr>
<th>Externalities by sector and company</th>
<th>Agents</th>
<th>Factors</th>
<th>Possible Impacts</th>
<th>Companies’ perception about the risks</th>
<th>Valuation</th>
<th>Engagement and Monitoring</th>
</tr>
</thead>
</table>
What is sustainability to Itaú Unibanco? Example PRI

Source: PRI
What is sustainability to Itaú Unibanco? I Products

**Insurance**

**Itaú Home Insurance with environmental services**
- Smart Discard, Environmental Guidance, Eco-efficiency projects
- Since October/11 until January/12 more than 12 tons of solid waste were discarded in the socially and environmentally correct way

**Environmental civil responsible Insurance**
- Insurance against environmental pollution caused by events that may cause harm to the environment, public health and third parties

**Funds**

**Itaú Social-Excellence Fund**
- Send 50% of its administration tax to UNICEF and NGOs’ projects
- In 2012, more than U$ 1.8 millions are being used to support educational projects in Brazil

**Itaú Eco-change Fund**
- 30% of its administration tax directed to NGOs’ projects focusing on the reduction of greenhouse-gas emissions
- Since 2008 more than U$9000,000.00 were invested
What is sustainability to Itaú Unibanco? I Microcredit

Microcredit is the instrument of social inclusion, permitting small amounts of credit to small entrepreneurs, to help them get out of poverty and of the informal sector.

Products

- Credit categories: Working capital, equipment, repairs
- Credits from US$200.00 up to US$7,600.00
- First credit up to US$ 2,500.00

Numbers

- 3 big cities in Brazil

- **2012:**
  - 6,965 credits
  - More than US$ 12,000,000 of loans
What is sustainability to Itaú Unibanco? I Report

Sustainable Report
- Itaú is committed to transparency
- Report according to GRI principles
- A+ application level since 2004

Towards Integrated Report
- In 2012 an initiative was taken, connecting the financial with the qualitative information improving the transparency
- Annual Report of 2012 is our first step towards an integrated report.

Dialogs with stakeholders
- 2008 – Panels with specialists and employees: Input for the strategy
- 2011 – Panel with specialists: presentation and discussion
- 2012 – Meetings with opinion makers: implementation challenges
What is sustainability to Itaú Unibanco

**Internal campaign**

**E-learning:**
More than 80 thousand employees capacitated

**External campaign**

**Conscious use of money website:**
More than 3,000,000 access in 2012
Specially in: Conscious consumption, exit red, the best credit for you

**Investment Campaign**

Campaign to make people reflect about the importance of the investment to assure a peaceful future
In 2012 more than 4.874.066 views on YouTube

**Conscious credit Campaign**

Communication about conscious credit, informing the society of the importance of making conscious choices
More than 18 million views form 2011 to 2012
Benefits and opportunities
Conclusions I Governance

**Sustainability Governance**

- Sustainability Supervision Committee
- Sustainability Executive Committee
- Sustainability Committee

**Participation in the bank’s governance**

**Process, Products and Services Evaluation Committee**

Participation in the committee that decides the launch of new products and services, with the power of veto

**Social-environmental Risk Committee**

Presence in the Committee organized by the Compliance connected with the bank’s administration

**Working Groups**

- Financial education
- Social-environmental Risks and Opportunities
- Dialog and Transparency
In 2012 the Sustainability Dashboard was created based on the 3 strategic focuses,

- Integrating Dow Jones Sustainability Indexes (DJSI) and Corporate Sustainability Index (ISE)
- Supports the sustainability governance to monitor the development of the agenda
- Connects the 3 strategic focuses to the different areas of the bank
### Conclusions I  Environmental Goals and Ecoefficiency

#### Goals (2011)

<table>
<thead>
<tr>
<th></th>
<th>Branches</th>
<th>Adm. Buildings</th>
<th>Technology</th>
<th>Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-efficiency projects</td>
<td><img src="image" alt="Status" /></td>
<td><img src="image" alt="Status" /></td>
<td><img src="image" alt="Status" /></td>
<td><img src="image" alt="Status" /></td>
</tr>
<tr>
<td>Environmental goals</td>
<td>Para 2012</td>
<td>Para 2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Electrical energy
- **-1% KWh per agency**
- **-4% MWh/position (s/CPD)**
- **In definition**

#### Renewable energy
- **91% of the consumption**

#### Water
- **- 2% m3 per agency**
- **Keep consumption on 14 m3/position**
- **In definition**

#### Paper
- **- 5%**
- **In definition**

#### Travel
- **In definition**

#### Waste/Recycle
- **75% recycling**
- **In definition**

#### CO2 emissions

- **Happening**
- **Done**
- **Deadline not established**
- **Delayed**
- **Not submitted**
**Conclusions I** Sustainability benefits

- Transforming risks into opportunities
- Creating synergy within different businesses (investments, credit, insurance)
- Increasing Market Value
- Enable access to new capital sources
- Differentiating from the market
- Attracting talents
- Enhancing long-term decision making
- Anticipating tendencies
- Improving customer loyalty
- Market leadership into a new economy
Conclusions I Market Value

- The only Latin American Bank that has participated since it was created (13 consecutives years)

- Itaú Unibanco has been in ISE for 7 years (since it was created in 2005)

- In 2012, Itaú Unibanco was named “Sustainable Bank of the Year in Americas” by Financial Times and International Finance Corporation (IFC)
Conclusions I Brand Value

Most valuable brand

<table>
<thead>
<tr>
<th>MARCAS</th>
<th>VALOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Itaú</td>
<td>24.296</td>
</tr>
<tr>
<td>2. Bradesco</td>
<td>13.633</td>
</tr>
<tr>
<td>3. Petrobrás</td>
<td>11.608</td>
</tr>
<tr>
<td>4. Banco do Brasil</td>
<td>11.309</td>
</tr>
<tr>
<td>5. Skol</td>
<td>7.277</td>
</tr>
</tbody>
</table>

Este valor é maior que o PIB da Nigéria + Nicarágua

R$24,2 bilhões > Green + Nicaragua

Fontes: Ranking Interbrand 2011

Sustainable bank of the year – America – Financial Times / IFC
Thank You!

Denise Hills
sustentabilidade@itau-unibanco.com.br

www.itau.com.br
Backup!
Turkey Profile

• After several years of very rapid growth, an abrupt economic slowdown occurred in 2012. The eurozone crisis, a doubling of interest rates during 2012 and the impact of civil war in Syria were all drags on the economy. A better performance is expected in 2013. Lending has been tightly restricted, limiting gains in private consumption. Turkey is expected to become Europe’s fifth largest economy and a key trading hub between Western Europe, the Middle Eastern and Asian economies by 2030.

• In 2012 when real GDP grew by just 2.9%. But the economy should return to its long-term trend rate of growth of about 4% per year in the medium term.

• In 2011, Ankara began to limit the credit expansion that had underpinned the economy. However, prices rose by 9.0% in 2012 – well above the central bank’s target rate of 5.0%. Interest rates were cut in September 2012 for the first time in seven months in response to slower economic growth. Inflation of 7.1% is forecast for 2013.

• Unemployment was 9.3% in 2012 and it will rise to 10.1% in 2013. Growth of employment slowed in 2012 and the deceleration will continue in 2013-2014. Istanbul is the country’s economic centre accounting for more than 40% of GDP. An estimated 1% of the population earns approximately 49% of national income.