BancoVotorantim

Earnings Release – 3Q16

Contents

Message from the CEO **3**
Corporate Strategy **4**
Key Information **5**
Managerial Statement of Income **6**
Analysis of Managerial Result **8**
Net Interest Income (NII) 8
Loan Portfolio 9
Auto finance loans 10
Delinquency and allowance for loan losses (ALL) 11
Fee income/ banking fees income 13
Personnel expenses 14
Administrative expenses 14
Other operating income and expenses 15
Funding and Liquidity **16**
Capital **17**
Ratings **18**
Corporate Governance **19**
Appendix 1 - Balance sheet **20**
Appendix 2 - Managerial Statement of Income **21**
Appendix 3 - Quality of the Loan Portfolio **22**

São Paulo, November 10, 2016. Banco Votorantim S.A. ("Bank") announces its results for the third quarter of 2016 (3Q16). All financial information herein, except where indicated otherwise, is presented in nominal Brazilian Reais, based on consolidated numbers, and in accordance with the Brazilian GAAP (BRGAAP) accounting standards and the Brazilian Corporate Law.

Message from the CEO

In 3Q16, we continued to advance in our agenda of sustainable growth, and despite the challenging market conditions, we maintained the consistency of our results.

The main highlights were:

- **Net income of R$ 112 million**, against R$ 108 million in 2Q16. In 9M16, net income totaled R$ 306 million, against R$ 405 million in 9M15. Consequently, shareholders' equity totaled R$ 8,416 million at the end of Sept.16.

- **Consistent revenue generation.** In 3Q16 there was expansion of the net interest income (NII) and of income from services and insurance. NII totaled R$ 1,172 million in 3Q16, growth of 0.8% compared to 2Q16, propelled by higher income from Consumer Finance. Thus, the Net Interest Margin (NIM) reached 5.1%, against 4.9% in 2Q16. In turn, the total volume of fee/banking fees and insurance income grew 7.9% in 3Q16/2Q16 and 16.1% in 9M16/9M15, more than offsetting the 1.0% reduction observed in NII in the yearly comparison.

- **Maintenance of conservative lending posture.** The expanded credit portfolio closed Sept.16 at R$ 60.0 billion, a decrease of 9.3% in 12 months, but an increase of 1.0% in 3Q16. The growth in the quarter occurred mainly in the portfolio of Vehicles (+1.0%) and in the Wholesale portfolio (+1.9%).

- **Drop in consumer finance's delinquency.** Inad 90 – 90-day NPL ratio – of the loan portfolio closed the 3Q16 at 5.5%, against 4.6% in 2Q16, impacted by Wholesale cases with credit provisions previously made. The 90-day NPL ratio of the Consumer Finance portfolio decreased 0.2 p.p. in the quarter, to 5.5%, due to the improvement in the quality of the portfolio of Vehicles, whose 90-day NPL reduced 0.2 p.p. in the last 12 months, while the average market index (source Bacen) grew 0.5 p.p. in the same period.

- **Effective cost management.** Administrative and personnel expenses showed a nominal reduction by 8.9% in 3Q16/2Q16 comparison and 1.2% in 9M16/9M15, despite of the inflation for the period (IPCA of 8.5% in the last 12 months). As a result of a strict control of costs, our Efficiency Ratio for the last 12 months had an improvement, reducing to 38.7% against 39.7% in Jun.16.

In addition, we maintained our conservative approach in the management of funding, liquidity and capital, enhancing the quality of our credit risk. In Sept.16, funding sources through Bills (financing bills, agribusiness credit bills and real estate credit bills) and credit assignments (with recourse) to Banco do Brasil represented 47% (R$ 30.7 billion) of our funding, contributing to extend the average term of our liabilities. In terms of liquidity, we ended Sept.16 with cash level more than sufficient to fully cover our funding with daily liquidity. Regarding capital, the Basel Ratio ended Sept.16 at 15.8% - above the regulatory minimum capital of 10.5% - in Tier I Capital of 11.2%, composed entirely of Common Equity Tier I.

In the following quarters, we will continue to advance in our agenda of sustainable growth, in order to maintain the consistency of our results.

Corporate Strategy

Banco Votorantim aims to consolidate its position among the main national privately-held banks and to be recognized for guidance in serving its clients and partners in a sustainable manner and with long-term relationships, leveraging synergies with shareholder Banco do Brasil (BB). For this purpose, the Bank has a diversified portfolio for Wholesale Bank Businesses (CIB), Wealth Management and Consumer Finance segments, with clearly defined objectives.

Wholesale Bank Businesses (CIB)

Positioned among the market leaders in lending to large enterprises, Corporate & Investment Banking (CIB) segment is intended to increase its relevance with target clients by strengthening its platform of high value-added products and services and low capital consumption- structured products, derivatives (hedge), FX, investment banking services and local and international distribution (New York and London). By means of long-term and agile relationships, and sectoral expertise, the Bank provides integrated financial solutions adequate to its clients' needs.

It is important to remember that, at the end of 2013, the Bank revised its operating strategy for the medium enterprises. BV's Middle Market, which catered for medium enterprises, has been merged into CIB and multiproduct desks were created (Derivatives, Assets and Funding). At the end of 2015, Wholesale Bank service structure improved and started to focus on 400 Corporate economic groups with better risk profile, in addition to Financial Institutions.

Wealth Management Business (VWM&S)

To develop and provide the best solutions for estate planning in a sustainable manner is part of VWM&S's mission, which has well established objectives for the two different markets where it operates:

- **Asset Management:** to be recognized for its consistent performance and for developing solutions appropriate to the clients' needs by means of its innovative and differentiated capacity for restructuring and managing products that have a high added value. Votorantim Asset Management (VAM) holds an important position within its peer group (Assets without branch network structure) and has been expanding its partnership with BB structure, management, administration and distribution of investment funds; and

- **Private Bank:** to consolidate its position among the best private banks in the market, by expanding its operations in estate planning integrated by means of differentiated solutions.

Consumer Finance Business

- **Auto finance loans:** to remain among the leaders in auto finance through BV Financeira (subsidiary of Banco Votorantim), which operates as an extension of BB in auto finance outside its branch network. BV Financeira concentrates its operations on used light vehicle finance (multi-brand dealers), a segment in which has a history of market leadership and acknowledged expertise.

- **Payroll loans:** to maintain an important position in the market of payroll loans, focusing on INSS – National Institute of Social Security (refinancing of portfolio) and Private categories (portfolio growth). In addition, has advanced in Promotiva S.A., a subsidiary of Banco Votorantim that operates in the origination of payroll credit outside the branches of Banco do Brasil directly to the shareholder.

- **Other businesses:** to grow organically in synergic businesses, increasing, for example, revenues from insurance brokerage (e.g.: auto and credit insurance) and credit cards. In addition, the Bank will continue to explore new business opportunities in partnership with the stockholder BB, leveraging its competence in asset origination and management of banking correspondents.

Throughout the next quarters, the Bank will continue to advance in the implementation of its strategic plan, which is based on three key elements: increase of the profitability of current and new businesses, increase of operational efficiency, and building of synergies with Banco do Brasil.

Key Information

	3Q15	2Q16	3Q16	9M15	9M16	Variation 3Q16/2Q16	Variation 9M16/9M15
RESULTS (R$ Million)							
Net Interest Income (a)	1,134	1,163	1,172	3,604	3,569	0.8%	-1.0%
Alowance for loan losses - ALL (b)	(1,075)	(457)	(492)	(1,941)	(1,456)	7.6%	-25.0%
Net Financial Margin (a - b)	59	706	681	1,663	2,112	-3.6%	27.0%
Income from services and banking fees	232	264	281	695	801	6.1%	15.3%
Personnel and administrative expenses	(559)	(601)	(547)	(1,724)	(1,704)	-8.9%	-1.2%
Operating Income (loss)	(496)	159	198	(70)	532	24.2%	-
Net Income (loss)	137	108	112	405	306	3.6%	-24.3%
MANAGEMENT INDICATORS (%)							
Return on Average Equity[1] (ROAE)	7.2	5.4	5.5	7.1	5.1	0.1 p.p.	-2.0 p.p.
Return on Average Assets[2] (ROAA)	0.5	0.4	0.4	0.5	0.4	0.0 p.p.	-0.1 p.p.
Net Interest Margin[3] (NIM)	4.8	4.9	5.1	5.1	5.0	0.2 p.p.	-0.1 p.p.
Efficiency Ratio (ER) - accumulated of 12 months[4]	39.4	39.7	38.7	39.4	38.7	-1.0 p.p.	-0.7 p.p.
Basel ratio	14.4	14.9	15.8	14.4	15.8	0.9 p.p.	1.4 p.p.
Tier I Capital Ratio	9.0	10.6	11.2	9.0	11.2	0.6 p.p.	2.1 p.p.
MACROECONOMIC INDICATORS[5]							
CDI - in the period (%)	3.4	3.4	3.5	9.6	10.4	0.1 p.p.	0.9 p.p.
Selic rate- end of the period (p.y.%)	14.25	14.25	14.25	14.25	14.25	0.0 p.p.	0.0 p.p.
IPCA - in the period (%)	1.4	1.8	1.0	7.6	5.5	-0.7 p.p.	-2.1 p.p.
Dolar exchange rate - end of the period (R$)	3.97	3.21	3.25	3.97	3.25	1.1%	-18.3%
EMBI Brazil Risk (points)	447	350	319	447	319	-31	-128

	Sept.15	Jun.16	Sept.16	Variation Sept.16/Jun.16	Variation Sept.16/Sept.15
BALANCE SHEET (R$ Million)					
Total assets	110,313	108,028	103,804	-3.9%	-5.9%
Loan portfolio (on-balance)	51,114	46,875	47,019	0.3%	-8.0%
Wholesale segment	16,959	13,735	13,789	0.4%	-18.7%
Consumer Finance segment	34,155	33,140	33,229	0.3%	-2.7%
Guarantees provided	9,561	7,805	7,809	0.1%	-18.3%
Expanded credit Portfolio	66,174	59,417	60,010	1.0%	-9.3%
Funding sources	74,203	67,520	65,704	-2.7%	-11.5%
Shareholders' equity	7,778	8,282	8,416	1.6%	8.2%
Capital (Basel ratio)	10,866	9,675	9,737	0.6%	-10.4%
LOAN PORTFOLIO QUALITY INDICATORS[6] (%)					
90-day NPL / Managed loan portfolio	5.3	4.6	5.5	0.8 p.p.	0.2 p.p.
Allowance for loan losses / 90-day NPL	163	148	127	-20.9 p.p.	-35.9 p.p.
Allowance for loan losses / D - H balance	83.0	69.8	70.9	1.1 p.p.	-12.2 p.p.
Allowance for loan losses / Managed loan portfolio	8.6	6.9	6.9	0.1 p.p.	-1.6 p.p.
OTHER INFORMATION					
AuM[7] (R$ Million)	46,577	51,169	53,129	3.8%	14.1%

1 Ratio between net income and average equity of the period. This ratio is annualized;
2. Ratio between net income and average assets of the period. This ratio is annualized;
3. Ratio between net interest income and average interest-earning assets of the period. This ratio is annualized;
4. ER = administrative and personnel expenses / (net interest income+fee income/ banking fees income + equity in income from subsidiares +other operational income and expenses);
5. Source: Cetip; Bacen; IBGE;
6. Includes balance of credit assignments with recourse to Financial Institutions and credit assigments to FIDCs up to Dec.11(before Resolution 3,533/Bacen)
7. Includes onshore funds (ANBIMA criteria) and private clients' resources.

Managerial Statement of Income

In order to enable a better understanding, comparison and analysis of the Bank's results and the performance of its businesses, the explanations contained in this report are based on the Managerial Statement of Income, which considers certain managerial reallocations made in the audited Statement of Income. These reallocations basically refer to:

- Income from credit recovery written-off to loss, recorded in "Revenues from loans" and reallocated to "Allowance for Loan Losses";
- Expenses with allowance for loan losses characteristics recorded in "Other Operating Income (Expenses)", such as allowances for loan losses for portfolios (off-balance) assigned with recourse prior to Resolution 3,533, which were reallocated to "Allowance for Loan Losses"; and
- Foreign exchange variations of overseas investments, which are recorded in "Equity in income of subsidiaries" and were reallocated to "Derivative Financial Instruments", as well as the fiscal and tax effects of the hedging of these investments, which are recorded in "Tax Expenses" (PIS and Cofins) and "Income Tax and Social Contribution", and that were also reallocated to "Derivative Financial Instruments".

The management strategy of the foreign exchange risk of capital invested abroad is intended to avoid effects resulting from foreign exchange variation on income. For this purpose, foreign exchange risk is neutralized using derivative financial instruments so investments are remunerated in Reais. The strategy of hedging overseas investments also considers the impact of the associated tax effects.

Reconciliation of Audited and Managerial Net Income – 2Q16 and 3Q16

INCOME STATEMENT (R$ Million)	2Q16 Audited	Adjustments	2Q16 Managerial	3Q16 Audited	Adjustments	3Q16 Managerial
Income from financial intermediation	**3,646**	**(469)**	**3,176**	**4,247**	**(181)**	**4,066**
Loans[1]	2,272	(140)	2,132	2,445	(176)	2,269
Leases	9	-	9	8	-	8
Securities	1,179	-	1,179	1,598	-	1,598
Derivative financial instruments	290	(330)	(40)	147	(5)	143
Foreign exchange operations	(118)	-	(118)	32	-	32
Compulsory deposits	13	-	13	17	-	17
Expenses from financial intermediation	**(2,013)**	**-**	**(2,013)**	**(2,894)**	**-**	**(2,894)**
Money market borrowings	(1,744)	-	(1,744)	(2,326)	-	(2,326)
Borrowings and onlendings	277	-	277	(86)	-	(86)
Sale or transfer from financial assets	(546)	-	(546)	(482)	-	(482)
Net interest income - NII	**1,633**	**(469)**	**1,163**	**1,353**	**(181)**	**1,172**
Allowance for loan losses - ALL	(582)	125	(457)	(705)	213	(492)
Net financial margin	**1,050**	**(344)**	**706**	**648**	**32**	**681**
Other operating income/expenses	**(718)**	**171**	**(547)**	**(429)**	**(54)**	**(483)**
Fee income	264	-	264	281	-	281
Personnel and administrative expenses	(601)	-	(601)	(547)	-	(547)
Tax expenses	(108)	13	(96)	(87)	0	(87)
Equity in income of subsidiaries	(104)	152	47	71	(16)	55
Other operating income/expenses	(169)	6	(162)	(146)	(38)	(184)
Operating income (loss)	**333**	**(173)**	**159**	**219**	**(21)**	**198**
Non-operating income (loss)	**6**	**-**	**6**	**3**	**-**	**3**
Income (loss) before taxes and contributions	**339**	**(173)**	**165**	**222**	**(21)**	**201**
Provision for income tax and social contribution	(185)	173	(12)	(81)	21	(59)
Profit sharing	(45)	-	(45)	(29)	-	(29)
Net income (loss)	**108**	**-**	**108**	**112**	**-**	**112**

1. Includes income from loan assets assigned with recourse under Resolution 3,533

Reconciliation of Audited and Managerial Net Income – 9M15 and 9M16

INCOME STATEMENT (R$ Million)	9M15 Audited	Adjustments	9M15 Managerial	9M16 Audited	Adjustments	9M16 Managerial
Income from financial intermediation	**15,554**	**355**	**15,909**	**11,399**	**(568)**	**10,831**
Loans[1]	9,692	(479)	9,213	7,310	(457)	6,853
Leases	54	-	54	27	-	27
Securities	3,619	-	3,619	3,611	530	4,141
Derivative financial instruments	1,661	834	2,495	705	(640)	65
Foreign exchange operations	528	-	528	(288)	-	(288)
Compulsory deposits	-	-	-	34	-	34
Expenses from financial intermediation	**(12,306)**	**-**	**(12,306)**	**(7,262)**	**-**	**(7,262)**
Money market borrowings	(8,613)	-	(8,613)	(5,917)	-	(5,917)
Borrowings and onlendings	(1,450)	-	(1,450)	453	-	453
Sale or transfer from financial assets	(2,243)	-	(2,243)	(1,799)	-	(1,799)
Net interest income - NII	**3,248**	**355**	**3,604**	**4,136**	**(568)**	**3,569**
Allowance for loan losses - ALL	(2,417)	476	(1,941)	(1,396)	(60)	(1,456)
Net financial margin	**832**	**831**	**1,663**	**2,740**	**(628)**	**2,112**
Other operating income/expenses	**(1,226)**	**(507)**	**(1,733)**	**(1,838)**	**258**	**(1,581)**
Fee income	695	-	695	801	-	801
Personnel and administrative expenses	(1,724)	-	(1,724)	(1,704)	-	(1,704)
Tax expenses	(312)	(16)	(328)	(292)	14	(278)
Equity in income of subsidiaries	670	(547)	123	(140)	285	145
Other operating income/expenses	(555)	56	(499)	(504)	(41)	(545)
Operating income (loss)	**(394)**	**324**	**(70)**	**902**	**(370)**	**532**
Non-operating income (loss)	**(27)**	**-**	**(27)**	**9**	**-**	**9**
Income (loss) before taxes and contributions	**(421)**	**324**	**(97)**	**910**	**(370)**	**541**
Provision for income tax and social contribution	967	(324)	642	(492)	370	(122)
Profit sharing	(141)	-	(141)	(112)	-	(112)
Net income (loss)	**405**	**-**	**405**	**306**	**-**	**306**

1. Includes income from loan assets assigned with recourse under Resolution 3,533

Analysis of Managerial Result

Net Interest Income (NII)

NII totaled R$ 1,172 million in 3Q16, increase of 0.8% in relation to the former quarter, result of higher income from Consumer Finance credit. In the 9M16/9M15 comparison, the 1.0% reduction in NII was more than offset by the better performance with fee/banking fees and insurance income, with a growth of 16.1% in the period.

Net Interest income (NII) (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	Variation (%) 9M16/9M15
Income from Financial Intermediation	**6,894**	**3,176**	**4,066**	**15,909**	**10,831**	**28.0**	**(31.9)**
Total loans	3,552	2,132	2,269	9,213	6,853	6.4	(25.6)
Loans	2,461	1,310	1,524	6,135	4,245	16.3	(30.8)
Sale or transfer from financial assets[1]	1,091	822	745	3,078	2,608	(9.4)	(15.3)
Leases	12	9	8	54	27	(13.8)	(49.5)
Securities	1,305	1,179	1,598	3,619	4,141	35.4	14.4
Derivative financial instruments	1,734	(40)	143	2,495	65	-	(97.4)
Foreign exchange operations	292	(118)	32	528	(288)	-	-
Compulsory deposits	-	13	17	-	34	29.4	-
Expenses from Financial Intermedation	**(5,760)**	**(2,013)**	**(2,894)**	**(12,306)**	**(7,262)**	**43.7**	**(41.0)**
Money market repurchase agreements	(3,890)	(1,744)	(2,326)	(8,613)	(5,917)	33.3	(31.3)
Borrowings and onlendings	(1,077)	277	(86)	(1,450)	453	-	-
Sale or transfer from financial assets	(793)	(546)	(482)	(2,243)	(1,799)	(11.7)	(19.8)
Net Interest Income	**1,134**	**1,163**	**1,172**	**3,604**	**3,569**	**0.8**	**(1.0)**

1 Income from sale or transfer operations from financial assets (credits assigned after Res. 3,533 came into force)

As part of its market risk management strategy, the Bank regularly enters into derivative transactions to protect the NII of the oscillation in values subjected to risks related to foreign currencies, indices and interest rates. That is, the impact of changes in interest rates, exchange rates and indexes is largely offset by the use of derivatives, protecting NII.

The expenses from financial intermediation increased 28.0% (R$ 890 million) compared to 2Q16, mainly driven by the increase in income from loans, income from secutities and foreign exchange operations. The increase in the result with loans, in turn, is due to the income generated by the Consumer Finance portfolio.

In the 9M16/9M15 comparison, income from financial intermediation declined 31.9% (R$ 5,078 million), also impacted by reduction in Revenues from loans and derivative financial instruments transactions. Note that classified credit portfolio declined 8.0% in the last 12 months, a reflex of conservativeness in loan concession and decrease in demand.

It should be stressed that the Bank periodically carries out assignments of receivables (with recourse) to its shareholder BB. These transactions are carried out pursuant to Resolution 3,533, and, therefore, do not impact the Bank's statement of income at the time of the assignment, but rather form part of its funding strategy. However, when a contract is assigned with recourse, the income from this contract is henceforth recognized on the line of "Sales or Transfers of Financial Assets", instead of "Loans". For this reason, for a better understanding of the effective performance of the loan portfolio, these revenues were grouped in "Total Loans" in the prior table.

Expenses from financial intermediation increased 43.7% (R$ 881 million) compared to 2Q16, mainly due to the effects of foreign exchange variation – in 2Q16 there was a strong appreciation of the Real against the U.S. dollar (i.e. the U.S. dollar closed Sept.16 at R$ 3.25, against R$ 3.21 on Jun.16, and R$ 3.56 in Mar.16), which reduced intermediation expenses in that quarter, with contra-entry in the line "Result of Derivative Financial Instruments" due to the *hedge*.

In the 9M16/9M15 comparison, expenses from financial intermediation fell 41.0%, impacted mainly due to the effects of foreign exchange variation and by reduction of R$ 5.5 billion in balance of funding sources.

As mentioned, these fluctuations in the market values of positions held are offset against derivatives, so as to hedge NII.

The annualized average rate of the financial margin (*Net Interest Margin* – NIM) reached 5.1% p.y. in 3Q16, 0.2 p.p. higher than in 2Q16 due to (i) the increase of NII, and (ii) the reduction of average profitable assets, mainly affected by the decrease in the balance of securities, which in turn reduced due to the lower volume of debentures.

NET INTEREST MARGIN (NIM) (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	9M16/9M15
Net Interest Income (A)	**1,134**	**1,163**	**1,172**	**3,604**	**3,569**	**0.8**	**(1.0)**
Average Interest-Earning Assets (B)	**95,883**	**95,988**	**93,721**	**94,533**	**95,815**	**(2.4)**	**1.4**
Compulsory deposits	36	489	458	42	332	(6.3)	-
Interbank funds applied	17,199	18,443	18,474	14,129	17,791	0.2	25.9
Securities	27,210	29,288	27,842	27,697	29,306	(4.9)	5.8
Loans	51,438	47,769	46,947	52,665	48,385	(1.7)	(8.1)
NIM (A/B)	**4.8%**	**4.9%**	**5.1%**	**5.1%**	**5.0%**	**0.2 p.p.**	**-0.1 p.p.**

Loan Portfolio

In Sept.16, the consolidated portfolio of loans classified by Resolution No. 2.682 reached R$ 47.0 billion, virtually stable in relation to the final balance of Jun.16 and 8.0% lower compared to Sept.15 in view of the conservative approach of credit and retraction of demand.

The Wholesale expanded credit portfolio, which includes guarantees provided and private securities, closed Sept.16 at R$ 26.8 billion, a 16.4% lower than in Sept.15, but 1.9% higher than in Jun.16, mainly due to the increase in private securities portfolio. In Consumer Finance, the classified loan portfolio reached R$ 33.2 billion in Sept.16, remaining practically stable in relation to Jun.16. In the last 12 months, the loan portfolio presented a downside of 2.7%, reflecting the conservativeness in loan concessions, the focus on guaranteeing the quality and profitability of the new vintages, and the moderation of demand.

CREDIT PORTFOLIO (R$ Million)	Sept.15	Jun.16	Sept.16	Variation (%) Sept.16/Jun.16	Sept.16/Sept.15
Wholesale segment - CIB (a)	**16,959**	**13,735**	**13,789**	**0.4**	**(18.7)**
Consumer Finance segment (b)	**34,155**	**33,140**	**33,229**	**0.3**	**(2.7)**
Auto finance (direct credit and leasing)	28,221	27,507	27,810	1.1	(1.5)
Payroll loans	4,713	4,173	3,887	(6.9)	(17.5)
Credit Cards	1,144	1,386	1,455	5.0	27.2
Individual Loans	77	73	77	4.8	(0.9)
On-balance loan portfolio (c=a+b)	**51,114**	**46,875**	**47,019**	**0.3**	**(8.0)**
Guarantees provided (d)	9,561	7,805	7,809	0.1	(18.3)
Private securities (e)	5,499	4,737	5,183	9.4	(5.7)
Expanded credit portfolio (f=c+d+e)	**66,174**	**59,417**	**60,010**	**1.0**	**(9.3)**
Off-balance credit assignments - Consumer Finance (g)[1]	**461**	**50**	**13**	**(74.8)**	**(97.3)**
Credit assignments with recourse to Financial Institutions	461	50	13	(74.8)	(97.3)
Auto finance (direct credit to consumer and leasing)	272	25	3	(87.1)	(98.8)
Payroll loans	190	25	9	(62.4)	(95.1)
Expanded managed credit portfolio (h=f+g)	**66,635**	**59,467**	**60,023**	**0.9**	**(9.9)**
Wholesale segment - CIB (a+d+e)	**32,019**	**26,277**	**26,781**	**1.9**	**(16.4)**
Consumer Finance segment (b+g)	**34,617**	**33,190**	**33,242**	**0.2**	**(4.0)**
Auto Finance (Direct Credit to Consumer and Leasing)	28,493	27,532	27,813	1.0	(2.4)
Payroll Loans	4,902	4,198	3,896	(7.2)	(20.5)
Credit Cards	1,144	1,386	1,455	5.0	27.2
Individual loans and Home Equity	77	73	77	4.8	(0.9)

1. Credits assigned before Resolution 3,533

The balance of assets assigned with recourse up to Dec.11 – before the effectiveness of Res. No. 3,533 – closed Sept.16 at R$ 13 million, against R$ 461 million in Sept.15. This balance tends towards zero over time and is not recorded in the Bank's balance sheet (off-balance). These assets are considered in "managed portfolio" closed Sept.16 at R$ 47.0 billion, practically stable in relation to Jun.16 and 8.8% lower than in Sept.15.

In managed loan portfolio for payroll loans reached R$ 3.9 billion in Sept.16, 20.5% lower than in Sept.15. In the last 12 months, Public Payroll Loans exhibited the greatest reduction (44.0%), according to the table below. Such a downslide reflects the Bank's selective strategy of action in public agreements, maintaining the focus on refinancing the INSS Payroll Loan portfolio and on the gradual expansion of the Private Payroll Loan portfolio.

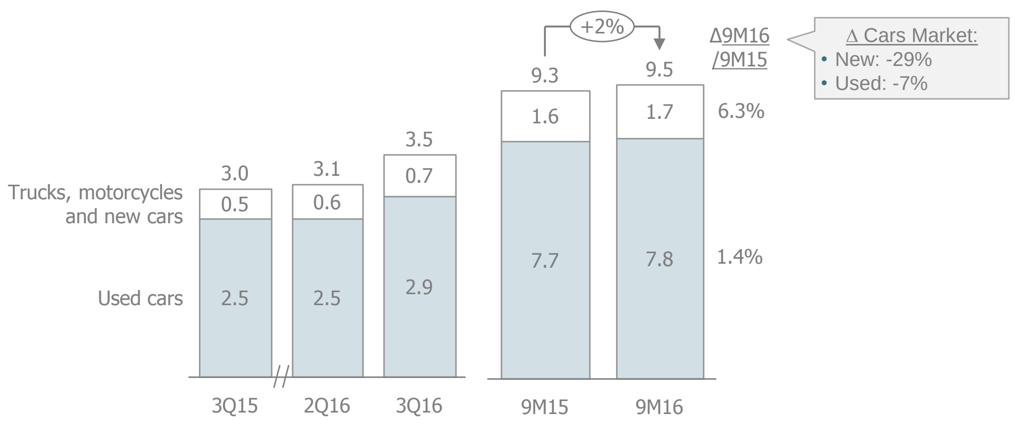
Payroll Loans - Portfolio Composition (R$ Million)	Sept.15	Jun.16	Sept.16	Variation (%)	
				Sept.16/Jun.16	Sept.16/Sept.15
Payroll Loans Total[1]	**4,902**	**4,198**	**3,896**	**(7.2)**	**(20.5)**
INSS (retirees and pensioners)	3,265	2,826	2,618	(7.4)	(19.8)
Private	785	811	801	(1.2)	2.1
Public	853	561	477	(14.9)	(44.0)
State	346	232	198	(14.9)	(42.9)
Federal	292	207	185	(10.8)	(36.9)
Municipal	214	122	95	(22.1)	(55.7)

1.Includes credits assigned before Resolution 3.533.

Auto finance loans

In 2016, the Bank has maintained its conservative attitude in the concession of auto finance loan and its focus on the segment of used light vehicles, in which it has a history of leadership and recognized competence. The auto finance loan origination volume was R$ 9.5 billion in 9M16: 82% for used light vehicles. It is worth pointing out that light vehicle finance origination was down 7% in 9M16/9M15, while the volume at the Bank grew by 1.4%, resulting in a market share gain. This performance proved that Banco Votorantim remained one of the leaders of the auto finance loan market.

Volume of auto finance origination (R$B)



In the last years, the Bank has continuously refined the policies, processes and credit models of Consumer Finance, especially of the auto finance loan business. In 2012, for instance, the Bank incorporated new variables in its credit model, such as BB's internal rating, and additional information from credit bureaus (e.g.: Serasa Experian information full package). In 2013 a new "credit engine" was implemented, a tool that allows greater discrimination of risk and speed in credit decisions, resulting in processes automation and efficiency gains, among other benefits. In 2014 and 2015, credit risk management continued effective and timely, with several improvements implemented in commercial management, fraud fighting and credit collection.

In 2016, the Bank continues practicing shorter terms and requesting higher down payments in relation to 2010 and 2011 vintages. In 4Q10, for example, the average production period was 52 months and the average down payment percentage was 26%. In 3Q16, in turn, the average production period was 45 months and the average down payment percentage was 41%, as per the table below.

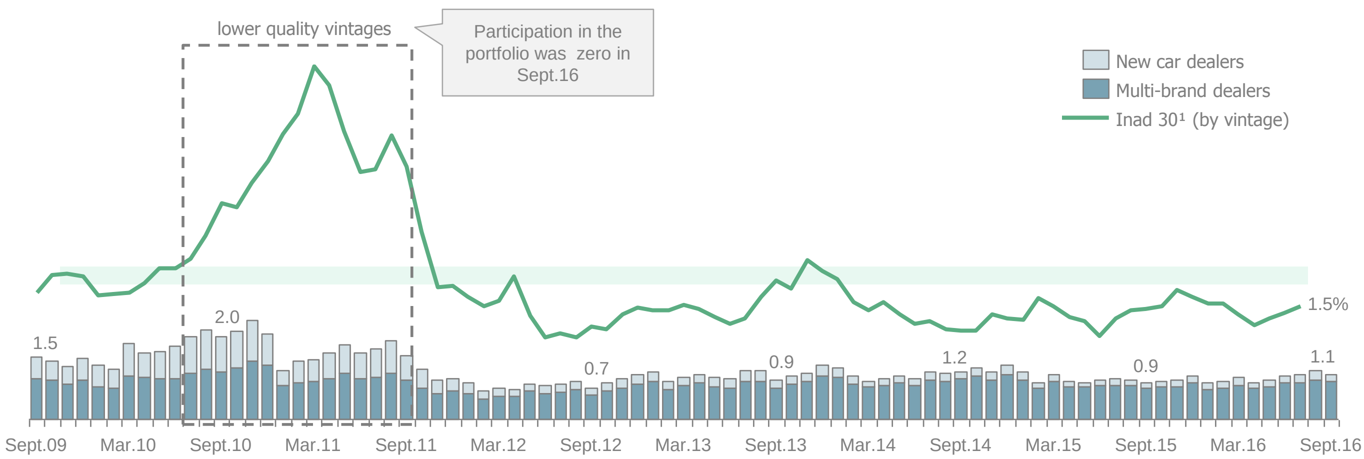
AUTO FINANCE - Origination	3Q15	2Q16	3Q16	Variation 3Q16/2Q16	Variation 3Q16/3Q15
Average rate (% per year)	28.0	27.1	26.6	-0.5 p.p.	-1.4 p.p.
Average term (months)	44	44	45	1	1
Loan-to-Value (%)	58.3	58.3	59.0	0.7 p.p.	0.7 p.p.
Used cars/cars origination (%)	91.7	89.3	88.3	-1.0 p.p.	-3.4 p.p.

AUTO FINANCE - Loan Portfolio	Sept.15	Jun.16	Sept.16	Variation Sept.16/Jun.16	Variation Sept.16/Sept.15
Average rate[1] (% per year)	26.4	27.4	27.4	0.0 p.p.	1.0 p.p.
Maturity (months)	46	46	46	0	0
Loan-To-Value (%)	52.7	52.8	51.7	-1.1 p.p.	-1.0 p.p.
Used cars/Auto finance portfolio (%)	84.4	86.8	87.1	0.3 p.p.	2.7 p.p.
Average vehicle age (years)	5	5	5	0	0

1 Rate calculated based on quarterly average portfolio

The combination of improvements in the credit processes and models and the prudence in the granting of loans has produced concrete results. Since 2011, the Bank has been originating auto finance loan with a quality standard above or equal to the historical average rate. The following chart shows the progress of the first installment delinquency indicator (known as "Inad 30" in Portuguese) for light vehicles, which shows, by vintage, the financing percentage with default in the payment of the first installment in excess of 30 days.

Cars – Production by channel (R$B) and first-installment delinquency[1] (%)



1. % of each month's production with first installment past due over 30 days; 2. Includes securitization with substantial risk retention before Res. 3,533.

The quality of the auto finance loan originated in the last years has contributed to the favorable performance of delinquency. It is worth emphasizing that the vintages of lower quality, originated between Jul.10 and Sep.11, no longer compose the portfolio.

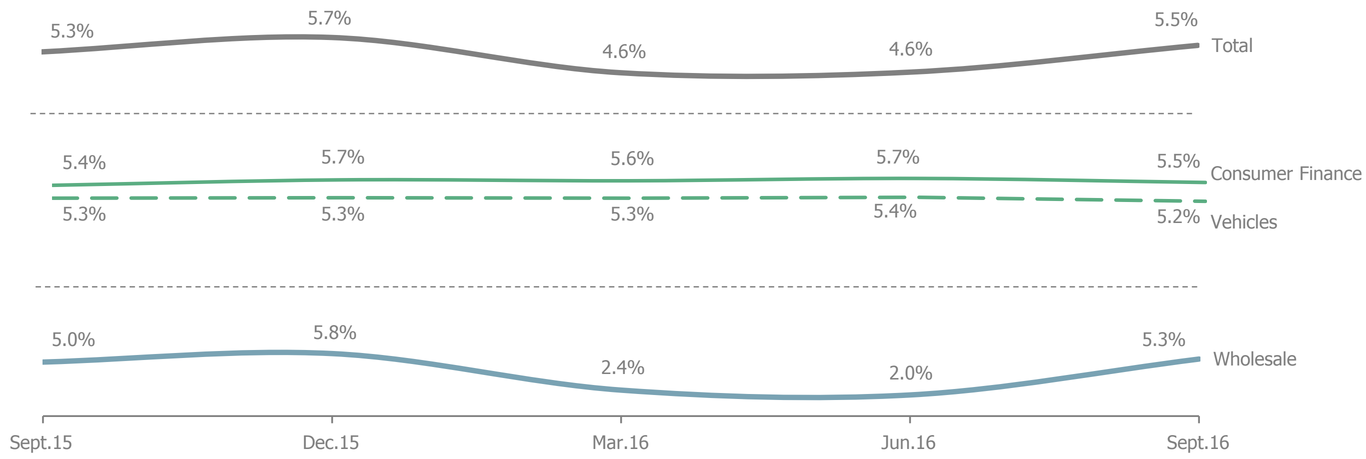
Delinquency and allowance for loan losses (ALL)

The delinquency above 90 days ("90-day NPL ratio") of the managed portfolio closed Sept.16 at 5.5%, against 4.6% in Jun.16, impacted by Wholesale cases with credit provisions previously made.

90-day NPL ratio of the Consumer Finance portfolio decreased 0.2 p.p. in the quarter, to 5.5%, due to the improvement in the quality of the portfolio of Vehicles, whose Inad 90 reduced 0.2 p.p. in the last 12 months, while the average market index (source Bacen) grew 0.5 p.p. in the same period.

In the Wholesale, the delinquency rate grew to 5.3% in Sept.16, against 2.0% in Jun.16, mainly due to specific cases which already had high level of provision, and due to higher volume of credits written off to loss in 2Q16.

90-day NPL ratio/Managed portfolio (%)



Allowance for loan losses expenses – net of income from credit recovery written off to loss – increased 7.6% in relation to 2Q16, as a result of lower allowance for loan losses expenses in Wholesale. In the Consumer Finance, the reduction of 8.4% in ALL expenses in the quarter reflects the improvement of the quality of the auto finance loan portfolio. In the 9M16/9M15 comparison, expenses reduced 25.0%, mainly due to prudential provisions recognized on prudential basis in 3Q15.

NET FINANCIAL MARGIN (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%)	
						3Q16/2Q16	9M16/9M15
Net Interest Income	**1,134**	**1,163**	**1,172**	**3,604**	**3,569**	**0.8**	**(1.0)**
Allowance for loan losses	(1,075)	(457)	(492)	(1,941)	(1,456)	7.6	(25.0)
Wholesale	(672)	(116)	(179)	(909)	(454)	55.0	(50.1)
Consumer Finance	(402)	(341)	(313)	(1,031)	(1,002)	(8.4)	(2.8)
Net Financial Margin	**59**	**706**	**681**	**1,663**	**2,112**	**(3.6)**	**27.0**

The Coverage Ratio (CR) of operations past due over 90 days closed the Sept.16 in 127%, against 148% in Jun.16. The CR is still in a conservative level and its reduction in the quarter is the effect of the delinquency of Wholesale loans that already had a high level of allowance.

The net loss continued with a trend for reduction, and amounted to R$ 448 million in 3Q16, result of the credit recovery increase. This loss represented 3.9% p.y. of the lending portfolio in Sept.16, against 4.3% in Jun.16.

The *New NPL*, volume of loans that became default above 90 days in the quarter, was R$ 1,017 million in 3Q16, against R$ 560 million in 2Q16, due to the rolling of specific cases of the Wholesale with credit provisions previously made. Excluding these specific cases, the *New NPL* compared to the portfolio would have grown from 1.1% to 1.3% in the last quarter.

Loans classified between "AA-C" (best risk levels) according to Resolution No. 2,682 represented, at the end of Sept.16, 90.2% of the managed loan portfolio, a stable level in relation to Jun.16.

MANAGED LOAN PORTFOLIO QUALITY INDICATORS (R$ Million, except where indicated)	Sept.15	Jun.16	Sept.16
Loan portfolio	51,576	46,925	47,031
90-day NPL/ Loan portfolio	5.3%	4.6%	5.5%
Write-off(a)	(838)	(639)	(624)
Credit recovery (b)	169	140	176
Net Loss (a+b)	(669)	(500)	(448)
Net Loss / Loan portfolio - annualized	5.3%	4.3%	3.9%
New NPL	823	560	1,017
New NPL / Loan portfolio[1]	1.6%	1.1%	2.2%
ALL balance[2]	4,425	3,221	3,267
ALL balance / Loan portfolio	8.6%	6.9%	6.9%
ALL balance / 90-day NPL	163%	148%	127%
ALL balance / D - H balance	83.0%	69.8%	70.9%
AA-C balance	46,248	42,309	42,422
AA-C balance / Loan portfolio	89.7%	90.2%	90.2%
ALL expenses / Loan portfolio	2.1%	1.0%	1.0%

1 (ΔNPL 90 balance +loans written-off to loss in the quarter) / Loan portfolio by the end of the immediately preceding quarter
2.Includes, in Sept.16, R$ 198M of "generic" credit provision recognized as Liabilities in the "Other" line (Note # 18d of 3Q16 Financial Statement)

The balance of renegotiated loans amounted to R$ 6,841 million in Sept.16, against R$ 6,847 in Jun.16. We point out that most of the active renegotiation portfolio is composed of operations renewed without delay – refinancing – mainly of the payroll loans' product.

CREDITS RENEGOTIATED - CHANGES (R$ Million)	2Q16	3Q16
Initial Balance	**7,025**	**6,847**
Contracts	921	1,241
Amortization and Capitalized Interest	(977)	(1,046)
Write-off	(122)	(201)
Final Balance	**6,847**	**6,841**

Fee income/ banking fees income

Fee income/ banking fees income amounted to R$ 281 million in 3Q16, up 6.1% in comparison to the prior quarter, mainly due to the higher volume of income from file creation and evaluation of assets, a result of the larger volume of vehicle origination. In the 9M16/9M15 comparison, there was an increase of 15.3% mainly due to the (i) increase in revenues from Preparation of master file and evaluation of assets and (ii) increase in revenues from Credit card, whose portfolio growth in the last 12 months contributed to diversify the assets' and revenue base.

INCOME FROM SERVICES[1] (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	Variation (%) 9M16/9M15
Master file registration	60	74	84	189	229	14.6	21.2
Appraisal of assets	45	50	57	130	152	13.1	16.4
Credit cards	38	41	44	107	125	8.8	17.7
Income from guarantees provided	31	29	31	89	96	4.9	8.3
Management of investment funds	25	35	26	76	84	(25.5)	9.4
Commisions on placing of securities	10	13	20	33	50	61.0	52.3
Other[2]	24	23	18	71	65	(21.2)	(8.1)
Total Fee Incomes	**232**	**264**	**281**	**695**	**801**	**6.1**	**15.3**

1 Includes banking fee; 2. Includes brokerage fees from Stock Exchange operations, commissions from insurance brokerage, and income from credit cards annuities.

Note that the Bank has expanded the trading of insurance, such as Credit Insurance and Auto Insurance, whose revenues totaled R$ 192 million in the 9M16. Sales are handled through the subsidiary Votorantim Corretora de Seguros, and the result of this operation is recognized under the equity method of accounting. It is worth emphasizing that the total volume of fee/banking fees and insurance income grew 16.1% in 9M16/9M15, offsetting the 1.0% reduction observed in NII on the same basis of comparison.

Personnel expenses

Personnel expenses decreased 11.1% compared to the previous quarter, mainly due to lower expenses with labor lawsuits related to labor lawsuits. In the 9M16/9M15 comparison, the nominal reduction was 4.9%, as result of the ongoing search for operating efficiency.

PERSONNEL EXPENSES (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	Variation (%) 9M16/9M15
Fees	(5)	(5)	(5)	(14)	(14)	(6.0)	4.9
Benefits	(33)	(30)	(30)	(98)	(92)	(1.5)	(6.1)
Social Charges	(39)	(32)	(36)	(135)	(131)	11.2	(3.3)
Salaries	(159)	(154)	(146)	(442)	(408)	(5.2)	(7.6)
Training	(1)	(1)	(1)	(2)	(2)	19.9	(0.3)
Subtotal	**(237)**	**(222)**	**(217)**	**(690)**	**(647)**	**(2.2)**	**(6.3)**
Labor lawsuits	(38)	(75)	(47)	(214)	(213)	(37.7)	(0.5)
Total Personnel Expenses	**(275)**	**(297)**	**(264)**	**(905)**	**(860)**	**(11.1)**	**(4.9)**

The Bank closed Sept.16 with 4,111 employees, not counting statutory personnel and interns, compared to 4,153 in Jun.16.

Administrative expenses

Administrative expenses decreased 6.8% in the comparison 3Q16/2Q16, mainly due to reduction of Specialized Technical Services and Judicial Fees. A 9M16/9M15 comparison, administrative expenses increased by 3.0% owing to the expansion of expenses with: (i) Data Processing resulting from investments in technology, and (ii) Specialized Technical Services and Legal Fees, resulting, in turn, from the increase in Consumer Finance credit collection expenses. It is worth emphasizing that in the yearly comparison, administrative expenses have grown at a slower pace than inflation, which amounted to 8.5% (IPCA) in the last 12 months

ADMINISTRATIVE EXPENSES (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	Variation (%) 9M16/9M15
Rentals	(27)	(17)	(16)	(68)	(50)	(5.6)	(25.6)
Communication	(18)	(18)	(21)	(56)	(56)	13.0	0.9
Data processing	(48)	(52)	(52)	(136)	(145)	(1.3)	6.3
Services of the financial system	(24)	(24)	(22)	(76)	(71)	(7.7)	(6.2)
Specialized technical services	(97)	(98)	(93)	(269)	(277)	(5.5)	2.9
Judicial and Notary public fees	(28)	(30)	(28)	(77)	(83)	(6.0)	7.5
Other	(42)	(64)	(52)	(137)	(161)	(19.2)	17.3
Total Administrative Expenses	**(284)**	**(304)**	**(283)**	**(819)**	**(844)**	**(6.8)**	**3.0**

The Efficiency Index (IE) accumulated for the last 12 months closed Sept.16 at 38.7%, lower in relation to 39.4% in Sept.15, reflecting the ongoing efforts of effective management of costs and expenses.

EFFICIENCY RATIO (ER) (R$ Million)	3Q15	2Q16	3Q16	Var. 3Q16/2Q16	9M15	9M16	Var. 9M16/9M15
Total Personnel[1] and Administrative expenses (A)	**520**	**526**	**500**	**-4.8%**	**1,509**	**1,491**	**-1.3%**
Total Revenues (B)	**1,240**	**1,313**	**1,323**	**0.8%**	**3,923**	**3,970**	1.2%
Net Interest Income (NII)	1,134	1,163	1,172	0.8%	**3,604**	**3,569**	-1.0%
Income from Services and Banking Fees	232	264	281	6.1%	**695**	**801**	15.3%
Income from subsidiaries[2]	39	47	55	16.1%	**123**	**145**	17.5%
Other Operating Income/Expenses	(166)	(162)	(184)	13.5%	**(499)**	**(545)**	9.2%
Efficiency Ratio (A/B) - period	**42.0%**	**40.1%**	**37.8%**	**-2.3 p.p.**	**38.5%**	**37.5%**	**-0.9 p.p.**
Efficiency Ratio - last 12 months	**39.4%**	**39.7%**	**38.7%**	**-1.0 p.p.**	**39.4%**	**38.7%**	**-0.7 p.p.**

1. Excludes expenses with Labor Lawsuits; 2.Subsidiaries accounted by the equity method

Other operating income and expenses

In 3Q16, other operating income and expenses totaled R$-184 million, compared to R$-162 million in the previous quarter. This variation is mainly due to higher provisions for guarantees not honored in 3Q16.

In the 9M16/9M15 comparison, increase of 9.2% reflects, mainly, higher provisions for civil contingent liabilities and higher provisions for collateral signatures that were not honored.

OTHER OPERATING INCOME/EXPENSES (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	Variation (%) 9M16/9M15
Reversal (provision) for restructuring	(123)	(1)	0	(108)	(1)	(129.5)	(99.1)
Reversal (provision) for contingent liabilities	(42)	(80)	(27)	(106)	(166)	(65.8)	57.0
Reversal (provision) for unhonored guarantees	110	3	(4)	95	(7)	(255.9)	(107.3)
Costs associated with the production	(133)	(133)	(133)	(437)	(404)	0.2	(7.6)
Others	21	49	(20)	57	34	(140.5)	(40.8)
Total Other Operating Income/Expenses	**(166)**	**(162)**	**(184)**	**(499)**	**(545)**	**13.5**	**9.2**

Funding and Liquidity

The funding sources volume amounted to R$ 65.7 billion at the end of Sept.16, decrease of 7.9% in the last 12 months.

FUNDING SOURCES (R$ Billion)	Sept.15	Jun.16	Sept.16	Variation %	
				Sept.16/Jun.16	Sept.16/Sept.15
Debentures (BV Leasing)	**13.4**	**16.2**	**17.5**	**8.1**	**30.9**
Deposits	**4.8**	**3.7**	**4.5**	**22.3**	**(6.0)**
Time deposits	2.9	1.8	2.3	26.4	(18.9)
Deposits (on demand and interbank)	2.0	1.9	2.2	18.3	12.7
Bills	**16.6**	**17.8**	**17.5**	**(1.4)**	**5.4**
Financing bills	13.4	14.8	14.6	(1.7)	8.4
Agribusiness credit bills ("LCA") and Real estate credit bills ("LCI")	3.2	3.0	3.0	(0.4)	(7.3)
Borrowings and onlendings	**8.1**	**6.2**	**5.5**	**(12.2)**	**(32.8)**
Subordinated debts	**6.8**	**6.4**	**6.3**	**(1.7)**	**(7.1)**
Subordianted Financing bills	2.1	1.0	0.7	(33.6)	(69.1)
Others subordinated debts	4.7	5.4	5.7	4.0	20.8
Securities abroad	**8.3**	**1.5**	**1.1**	**(23.8)**	**(86.2)**
Securitization with recourses	**16.2**	**15.7**	**13.2**	**(15.8)**	**(18.3)**
Total funding (A)	**74.2**	**67.5**	**65.7**	**(2.7)**	**(11.5)**
Expanded credit portfolio[1] (B)	**56.6**	**51.6**	**52.2**	**1.1**	**(7.8)**
(B) / (A) %	**76.4**	**76.5**	**79.5**	**3.0 p.p.**	**3.1 p.p.**

1 Excludes guarantees provided

In recent quarters the Bank has maintained a conservative posture in relation to loan concession. In this context of lower demand for funding, the Bank has made efforts toward improving the profile of its funding sources. The Bank expended the share of more stable funding instruments, such as bills (financing bills, real estate credit bills and agribusiness credit bills) and assignments of receivables with recourse, which already account for 47% (R$ 30.7 billion) out of the total funding sources in Sept.16.

In relation to liquidity, in light of the uncertainties that still persist in the macroeconomic scenario, the Bank has maintained its cash at a very conservative level enough to cover our funding with daily liquidity. Additionally, it is important to emphasize that the Bank has a committed credit facility at Banco do Brasil, in the amount of R$ 6.8 billion, which represents a significant liquidity reserve and that has never been used.

We point out that in Oct.15 Bacen Circular Letter No. 3.749 became effective, establishing minimum limits of the indicator Liquidity Coverage Ratio (LCR), whose purpose is to measure the short-term liquidity of banks in a scenario of stress. It corresponds to the ratio between the inventory of high liquidity assets (HQLA - High Quality Liquid Assets) and the total net cash outflows expected for a period of 30 days. Currently, the minimum requirement of LCR is 70%, and it will grow 10% per year up to 2019, when it will reach 100%.

The table below shows that the balance of HQLA was R$ 12.9 billion in Sept.16, and the Pro-Forma LCR of the Bank, which includes the credit facility with BB in the HQLA, was 244%, above the minimum required.

Liquidity Coverage Ratio (LCR) (R$ Million)	2Q16	3Q16
Total high-quality liquid assets (HQLA)[1] (A)	13,630	12,908
Stand-by credit facility from BB (B)	6,800	6,800
Total cash outflows (C)	7,627	8,068
LCR (A/C)	**179%**	**160%**
Management LCR[2] (A+B/C)	**268%**	**244%**

1 Include a stand-by credit facility from BB; 2. Maily dueFederal public securities and bank reserves

Further details about the LCR may be found in the Report on Management of Risks and Capital at the website of RI: www.bancovotorantim.com.br/ir.

Capital

The Basel ratio was determined as Resolutions No. 4,192 and 4,193, that provide a new method for calculating minimum capital, Tier 1 capital and principal capital requirements. As from Jan.16, the minimum capital requirement was changed to 10.50%, including 0.63% for maintenance capital. For Tier I Capital, the minimum is 6.0% and for Principal Capital it is 4.5%.

Schedule - Basel III	2015	2016	2017	2018	2019
Total Capital	**11.00%**	**9.88%**	**9.25%**	**8.63%**	**8.00%**
Tier I Capital	6.00%	6.00%	6.00%	6.00%	6.00%
Common Equity Tier I	4.50%	4.50%	4.50%	4.50%	4.50%
Additional TierI	1.50%	1.50%	1.50%	1.50%	1.50%
Tier II Capital	5.00%	3.88%	3.25%	2.63%	2.00%
Minimum Additional Capital Requirement	**-**	**0.63%**	**1.25%**	**1.88%**	**2.50%**
Maximum Additional Capital Requirement	**-**	**1.25%**	**2.50%**	**3.75%**	**5.00%**
CR + Minimum Additional Capital	**11.00%**	**10.50%**	**10.50%**	**10.50%**	**10.50%**
CR + Maximum Additional Capital	**11.00%**	**11.13%**	**11.75%**	**12.38%**	**13.00%**

In Sept.16, the Prudential Conglomerate capital amounted to R$ 9,737 million, and risk-weighted assets amounted to R$ 61,621 million. The Basel ratio closed Sept.16 at 15.8%, an increase of 0.9 p.p. in relation to Jun.16 and 1.4 p.p. in relation to Sept.15. The Tier I capital index (which, for the Bank is equivalent to the Common Equity Tier I) closed Sept.16 at 11.2%. The increase of the index in the quarterly comparison is mainly due to (i) the reduction of RWA of operating risk, derived from the review of the allocation of capital on the portfolio of derivatives, and (ii) the growth of Total Capital, as result of the income generated in the period.

BASEL RATIO (R$ Million)	Sept.15	Jun.16	Sept.16
Total Capital	**10,866**	**9,675**	**9,737**
Tier I Capital	6,828	6,892	6,894
Common Equity Tier I	6,828	6,892	6,894
Additional Tier I	-	-	-
Tier II Capital	4,038	2,782	2,843
Risk Weighted Assets (RWA)	**75,457**	**64,839**	**61,626**
Credit risk	67,384	57,168	56,871
Market risk	3,294	1,654	1,130
Operational risk	4,780	6,016	3,625
Minimum Capital Requirement	**8,300**	**6,403**	**6,086**
Basel Ratio (Capital/RWA)	**14.4%**	**14.9%**	**15.8%**
Tier I Capital Ratio	9.0%	10.6%	11.2%
Common Equity Tier I Ratio	9.0%	10.6%	11.2%
Additional Tier I Ratio	-	-	-
Tier II Capital Ratio	5.4%	4.3%	4.6%

In Oct.13, the set of standards disclosed by BACEN became effective implementing in Brazil the global standards of capital requirement of Basel III. Considering the current capital base, if Basel III rules were fully applied the Tier I Capital ratio would be 10.4% in Sept.16.

Ratings

Banco Votorantim is rated by international rating agencies and the ratings assigned reflect several factors, including those related to the financial sector and to the economic environment in which the company is operating.

The table below presents the ratings assigned by the main agencies:

RATINGS AGENCIES		Internacional Local Currency IDR	Internacional Foreign Currency IDR	National Local Currency IDR	Brazil Sovereign rating
Moody's	Long-Term	Ba2	Ba3	Aa3.br	Ba2
	Short-Term	NP	NP	BR-1	
Standard & Poor's	Long-Term	BB		brA+	BB
	Short-Term	B		brA-1	

In Feb.16, Moody's rating agency downgraded Brazil's issuer rating and debt notes rating to "Ba2" with negative perspective, impacting the Bank's long-term local currency deposits rating from "Ba1" to "Ba2", and long-term foreign currency from "Ba1" to "Ba3". In May.16, the agency reviewed its national scale methodology, and the Bank's rating was therefore changed from "Aa2.br" to "Aa3.br".

In Feb.16, the risk rating agency Standard & Poor's (S&P) lowered Brazil's sovereign rating from "BB+" to "BB". This review had an impact on the ratings of several financial institutions, including that of Banco Votorantim: the global scale long-term rating was reviewed as "BB", while the national scale long-term rating was reviewed from "brAA-" to "brA+".

In Jun.16 the Bank decided to participate in the rating process with only two agencies, and therefore requested the withdrawal of the ratings of the agency Fitch.

Corporate Governance

The current corporate governance model is continuously improved for more robustness and transparency and to ensure fast decision making, which is a characteristic quality of the Bank.

The Bank's governance is shared by the Votorantim Group shareholders and Banco do Brasil, both enjoying parity of participation in the Board of Directors and its advisory committees (Finance & Products and Marketing), and in the following three statutory bodies:

- Fiscal Council, which is an independent body created to supervise the administrative management acts;
- Audit Committee, a body whose duties include evaluating the effectiveness of the internal control system and of the internal and independent audits, besides reviewing and issuing an opinion on the quality of the financial statements; and
- Compensation and Human Resources Committee, body that monitors matters related to the Management Compensation Policy and HR practices.

In addition, the Bank's management structure counts on an Executive Committee and operating committees and commissions, with the participation of the institution's executive leaders.

The Board of Directors is composed of six members, where each shareholder has the same representation (three members each). Each member holds office for a two-year term, and the positions of CEO and Vice-President are annually alternated between both shareholders. The Board of Directors meetings are periodically held to deliberate on strategic issues and track the business performance. With respect to decision-making process, the Board of Directors decisions are made by absolute majority with no "casting vote".

Board of Directors

Votorantim Finanças	Position	Banco do Brasil	Position
José Ermírio de Moraes Neto	Chairman	Paulo Rogério Caffarelli	Vice-Chairman
Celso Scaramuzza	Director	Antonio Mauricio Maurano	Director
João Carvalho de Miranda	Director	Alexandre Correa Abreu	Director

Appendix 1 - Balance sheet

BALANCE SHEET | Assets (R$ Million)	Sept.15	Jun.16	Sept.16	Variation % Sept.16/Jun.16	Variation % Sept.16/Sept.15
CURRENT AND LONG-TERM ASSETS	**109,839**	**107,564**	**103,201**	**(4.1)**	**(6.0)**
Cash and cash equivalents	224	141	176	24.5	(21.5)
Interbank funds applied	16,190	19,855	17,093	(13.9)	5.6
Securities and derivative financial instruments	30,091	27,458	28,225	2.8	(6.2)
Derivative financial instruments	3,199	4,231	3,398	(19.7)	6.2
Interbank accounts or relations	90	619	330	(46.6)	-
Loan Operations, Leases and Others receivables	51,276	46,477	46,542	0.1	(9.2)
Alowance for loan losses	(4,200)	(2,989)	(3,069)	2.7	(26.9)
Tax credit	7,773	7,260	7,238	(0.3)	(6.9)
Others	5,196	4,511	3,268	(27.6)	(37.1)
NON-CURRENTS	**472**	**463**	**603**	**30.1**	**27.6**
Investments	285	262	406	55.2	42.5
Fixed assets	102	95	90	(4.4)	(11.7)
Intangible and deferred charges	85	107	106	(0.7)	25.1
TOTAL ASSETS	**110,313**	**108,028**	**103,804**	**(3.9)**	**(5.9)**

BALANCE SHEET | Liabilities (R$ Million)	Sept.15	Jun.16	Sept.16	Variation % Sept.16/Jun.16	Variation % Sept.16/Sept.15
CURRENT AND LONG-TERM LIABILITIES	**102,495**	**99,709**	**95,349**	**(4.4)**	**(7.0)**
Deposits	4,826	3,708	4,535	22.3	(6.0)
Demand deposits	87	76	60	(20.9)	(30.6)
Interbank deposits	1,877	1,795	2,153	20.0	14.7
Time deposits	2,862	1,837	2,322	26.4	(18.9)
Money market borrowings	30,087	38,070	38,840	2.0	29.1
Acceptances and endorsements	24,912	19,276	18,661	(3.2)	(25.1)
Interbank accounts	222	32	103	-	(53.8)
Borrowings and onlendings	8,111	6,209	5,454	(12.2)	(32.8)
Derivative financial instruments	3,785	3,856	2,967	(23.1)	(21.6)
Others obligations	30,553	28,559	24,790	(13.2)	(18.9)
Subordinated debts	6,797	6,426	6,316	(1.7)	(7.1)
Credit transactions subject to assignment	16,163	15,690	13,208	(15.8)	(18.3)
Others obligations	7,593	6,443	5,267	(18.3)	(30.6)
DEFERRED INCOME	**40**	**36**	**38**	**6.6**	**(4.1)**
SHAREHOLDERS' EQUITY	**7,778**	**8,282**	**8,416**	**1.6**	**8.2**
TOTAL LIABILITIES	**110,313**	**108,028**	**103,804**	**(3.9)**	**(5.9)**

Appendix 2 - Managerial Statement of Income

INCOME STATEMENT (R$ Million)	3Q15	2Q16	3Q16	9M15	9M16	Variation (%) 3Q16/2Q16	9M16/9M15
Income from financial intermediation	**6,894**	**3,176**	**4,066**	**15,909**	**10,831**	**28.0**	**(31.9)**
Loans[1]	3,552	2,132	2,269	9,213	6,853	6.4	(25.6)
Leases	12	9	8	54	27	(13.8)	(49.5)
Securities	1,305	1,179	1,598	3,619	4,141	35.4	14.4
Derivative financial instruments	1,734	(40)	143	2,495	65	(461.0)	(97.4)
Foreign exchange operations	292	(118)	32	528	(288)	(126.9)	-
Income from Compulsory Deposits	-	13	17	-	34	29.4	-
Expenses from financial intermediation	**(5,760)**	**(2,013)**	**(2,894)**	**(12,306)**	**(7,262)**	**43.7**	**(41.0)**
Money market borrowings	(3,890)	(1,744)	(2,326)	(8,613)	(5,917)	33.3	(31.3)
Borrowings and onlendings	(1,077)	277	(86)	(1,450)	453	(131.1)	-
Sale or transfer from financial assets	(793)	(546)	(482)	(2,243)	(1,799)	(11.7)	(19.8)
Net interest income	**1,134**	**1,163**	**1,172**	**3,604**	**3,569**	**0.8**	**(1.0)**
Allowance for loan losses	(1,075)	(457)	(492)	(1,941)	(1,456)	7.6	(25.0)
Net financial margin	**59**	**706**	**681**	**1,663**	**2,112**	**(3.6)**	**27.0**
Other operating income/expenses	**(555)**	**(547)**	**(483)**	**(1,733)**	**(1,581)**	**(11.8)**	**(8.8)**
Fee Income	232	264	281	695	801	6.1	15.3
Personnel expenses	(275)	(297)	(264)	(905)	(860)	(11.1)	(4.9)
Administrative expenses	(284)	(304)	(283)	(819)	(844)	(6.8)	3.0
Tax expenses - ISS, PIS and Cofins	(102)	(96)	(87)	(328)	(278)	(9.2)	(15.3)
Equity in income of subsidiaries	39	47	55	123	145	16.1	17.5
Other operational income (expenses)	(166)	(162)	(184)	(499)	(545)	13.5	9.2
Operating income (loss)	**(496)**	**159**	**198**	**(70)**	**532**	**24.2**	**-**
Non-operating income (loss)	**(9)**	**6**	**3**	(27)	9	**(48.1)**	**-**
Income (loss) before taxes and contribution	**(505)**	**165**	**201**	**(97)**	**541**	**21.6**	**-**
Provision for income tax and social contribution	675	(12)	(59)	642	(122)	395.5	-
Profit sharing	(33)	(45)	(29)	(141)	(112)	(34.6)	(20.2)
Net income (loss)	**137**	**108**	**112**	**405**	**306**	**3.6**	**(24.3)**

1. Includes income from loan assets assigned with recourse under Resolution 3,533

Appendix 3 - Quality of the Loan Portfolio

Consolidated Loan Portfolio – by level of risk

RISK (R$ Million)	Sept.15			Jun.16			Sept.16		
	Balance	Provision	Part.%	Balance	Provision	Part.%	Balance	Provision	Part.%
AA	3,218	-	6.3%	3,711	-	7.9%	3,885	-	8.3%
A	24,605	126	48.1%	23,352	117	49.8%	23,535	118	50.1%
B	8,781	105	17.2%	7,375	75	15.7%	7,584	76	16.1%
C	9,216	318	18.0%	7,826	249	16.7%	7,406	227	15.8%
D	1,101	148	2.2%	1,380	154	2.9%	1,387	144	3.0%
E	529	173	1.0%	477	146	1.0%	577	175	1.2%
F	415	217	0.8%	701	352	1.5%	392	196	0.8%
G	902	767	1.8%	536	378	1.1%	402	283	0.9%
H	2,347	2,346	4.6%	1,518	1,518	3.2%	1,850	1,850	3.9%
TOTAL	**51,115**	**4,200**	**100.0%**	**46,875**	**2,989**	**100.0%**	**47,019**	**3,069**	**100.0%**
AA-C	**45,820**	**549**	**89.6%**	**42,263**	**440**	**90.2%**	**42,410**	**421**	**90.2%**
D-H	**5,295**	**3,652**	**10.4%**	**4,612**	**2,548**	**9.8%**	**4,608**	**2,649**	**9.8%**

Note: ALL Balance does not consider, in Sept.16, R$ 198M of "generic" credit provision recognized as Liabilities in the "Other" line (Note #18d of 3Q16 Financial Statement)

Wholesale – sectorial concentration

Wholesale - Sectorial concentration	Sept.15		Jun.16		Sept.16	
	R$M	Part.(%)	R$M	Part.(%)	R$M	Part.(%)
Financial Institutions	4,697	19.3%	3,752	18.2%	4,124	20.1%
Sugar and Ethanol	2,331	9.6%	1,823	8.9%	1,996	9.7%
Telecom	1,761	7.2%	1,606	7.8%	1,624	7.9%
Petrochemical	1,570	6.4%	1,567	7.6%	1,575	7.7%
Retail	834	3.4%	1,236	6.0%	945	4.6%
Mining	703	2.9%	883	4.3%	861	4.2%
Railways	671	2.8%	781	3.8%	775	3.8%
Agribusiness	1,041	4.3%	762	3.7%	768	3.7%
Eletricity Generation	684	2.8%	605	2.9%	591	2.9%
Government	705	2.9%	565	2.7%	573	2.8%
Road Cargo Transportation	503	2.1%	507	2.5%	467	2.3%
Automotive	545	2.2%	324	1.6%	450	2.2%
Electricity Distribution	461	1.9%	426	2.1%	420	2.0%
Residential Construction	632	2.6%	459	2.2%	415	2.0%
Food Industry	272	1.1%	411	2.0%	413	2.0%
Oil & Gas	201	0.8%	401	1.9%	401	2.0%
Pulp and Paper	771	3.2%	361	1.8%	357	1.7%
Services	471	1.9%	314	1.5%	289	1.4%
Slaughterhouses	292	1.2%	286	1.4%	263	1.3%
Agro Trading	303	1.2%	219	1.1%	234	1.1%
Other sectors	4,903	20.1%	3,287	16.0%	2,991	14.6%
Total[1]	**24,351**	**100.0%**	**20,576**	**100.0%**	**20,532**	**100.0%**

1. Excludes private securities

Glossary

Earning Assets: reflect the sum of all the assets that generate financial income for the institution. The total return of these assets is included in Income from Financial Intermediation.

Loan portfolio: Loan portfolio accounted for according to the criteria established by Resolution No. 2.682/99 of the National Monetary Council (CMN), including the mark-to-market of loans and leases in compliance with BACEN Circular Letter No. 3,624 (as of Jun.14).

Expanded Credit Portfolio: on balance loan portfolio with the addition of transactions with private securities acquired by the Bank.

Managed Loan Portfolio: loan portfolio accounted according to Resolution CMN No. 2.682/99, with the addition of the assets assigned with recourse to other financial institutions and the assets assigned to FIDCs - of which the Bank holds 100% of the subordinated shares.

Expanded Managed Credit Portfolio: managed loan portfolio, with the addition of private securities acquired by the Bank, guarantees provided and other operations with credit risk.

Guarantees provided: operations in which the Bank guarantees the financial settlement of contracts.

90-day NPL ratio: indicator that shows the ratio between 90-day NPL and total loans.

Efficiency Ratio (ER): Productivity indicator that expresses the ratio between administrative and personnel expenses (net of labor lawsuits) and the sum of Net Interest Income, Fee Income, Equity in Income of Associated Companies and Subsidiaries, and Other Operating Income/Expenses. The lower the ER, the more "efficient" the institution.

FIDC: Investment Funds in Receivables

Net Interest Income (NII): difference between income and expenses from financial intermediation considering management reallocations. Represents the result of financial intermediation, before allowance for loan losses expenses.

New NPL Index: The index for calculating delinquency above 90 days, based on the variation of the balance of NPLs past due over 90 days and taking into account the quarter's write-offs as loss, divided by the final portfolio of the previous quarter.

Interest Bearing Liabilities: reflect the sum of all the liabilities that generate financial expense for the institution. The total expenses of these liabilities are included in Expenses from Financial Intermediation.

Reallocations: managerial adjustments made in the Corporate Income Statement with the objective of enabling a better understanding of the business and of the company's performance.

Return on Average Assets (ROAA): Ratio between net income of the period and average total assets of the period. Annualized exponentially.

Return on Average Equity (ROAE): Ratio between net income of the period and the average shareholders' equity of the period. Annualized exponentially.

Average Net-Interest Margin (NIM): ratio between net interest income and interest-earnings assets in the period.