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# Earnings Presentation

2<sup>nd</sup> Quarter | 2018

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Disclaimer: This presentation may include references and statements on expectations, planned synergies, growth estimates, projections of results, and future strategies for Banco Votorantim, its associated and affiliated companies, and subsidiaries. Although these references and statements reflect the management's belief, they also involve imprecision and risks that are highly difficult to be foreseen. Consequently, they may conduct to different results from those anticipated and discussed here. These expectations are highly dependent on market conditions, on Brazil's economic and banking system performances, as well as on international market conditions. Banco Votorantim is not responsible for bringing up to date any estimate in this presentation.

# Net income of R\$ 511M in 1H18, and ROE of 11.6%

Consistent revenue generation, maintenance of credit quality and cost basis control

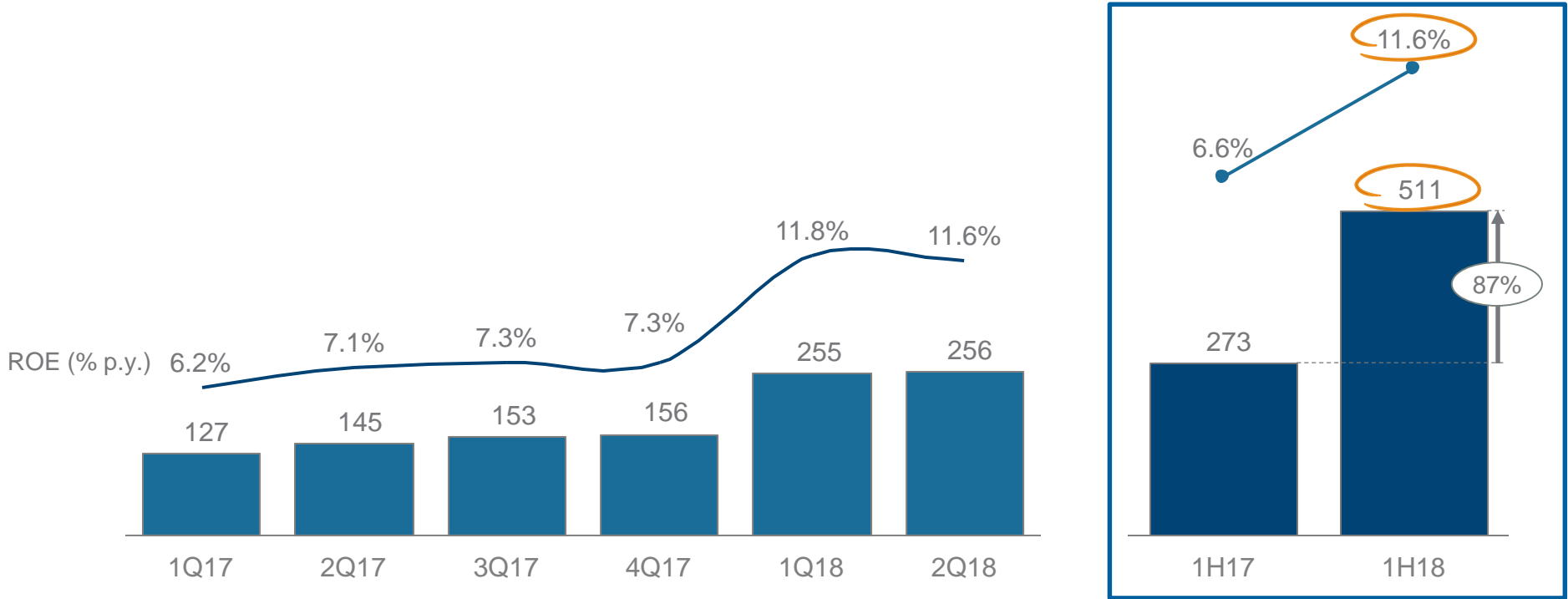
## Highlights of results

Net Income	▲ +87.5% (1H18/1H17)	R\$ 511M	Net income of R\$ 511M in 1H18, compared to R\$ 273M in 1H17.
	▲ +0.7% (2Q18/1Q18)	R\$ 256M	Return on Equity (ROE) of 11.6% p.y. in 1H18 (6.6% in 1H17).
Revenues	▲ +8.9% (1H18/1H17)	R\$ 3,502M	Total revenues (NII + revenues from services and insurance) increased by 8.9% in 1H18/1H17, reflecting the higher profitability in the businesses.
	▼ -3.7% (2Q18/1Q18)	R\$ 1,718M	Net Interest Margin (NIM) increased to 6.2% in 1H18, compared to 5.3% in 1H17.
Credit Costs <sup>1</sup>	▼ -25.8% (1H18/1H17)	R\$ 705M	Result <sup>1</sup> of loan losses decreased 25.8% in 1H18/1H17. Increase in 2Q18 is a reflection of specific effects arising from the macroeconomic situation.
	▲ +16.3% (2Q18/1Q18)	R\$ 379M	90-day Coverage Ratio reached 184% in Jun/18 (Jun/17: 158%).
Delinquency (NPL90)	▼ -40bps (1H18/1H17)	NPL 90 4.0%	90-day NPL of 4.0% in Jun/18, down 40 bps against Jun/17. <ul style="list-style-type: none"> <li>Wholesale: 90-day NPL dropped to 1.3% (Jun/17: 2.3%).</li> <li>Consumer Finance: 90-day NPL dropped to 4.9% (Jun/17: 5.2%).</li> </ul>
	▲ +10bps (2Q18/1Q18)		
Cost Basis <sup>2</sup>	▲ +3.6% (1H18/1H17)	R\$ 1,194M	Personnel <sup>2</sup> and administrative expenses increased by 3.6% in 1H18/1H17 (below inflation), mainly reflecting the higher businesses activity
	▼ -17.3% (2Q18/1Q18)	R\$ 541M	Efficiency Ratio (12 months) decreased to 32.9% in Jun/18 (36.0% in Jun/17).

1. Net of revenues from recovery of written-off loans and impairments; 2. Includes profit sharing expenses.

# Net income of R\$ 511M in 1H18, and ROE of 11.6%

Net Income (R\$M)



**Quarterly net income confirms new level of Banco Votorantim results**

# Highlights of Results

1H18 x 1H17: Consistent revenues generation, with maintenance of credit quality

## Managerial Income Statement (R\$M)

(R\$ Million)	2Q17	1Q18	2Q18	Var. 2Q18/1Q18	1H17	1H18	Var. 1H18/1H17
<b>Net Interest Income (A)</b>	1,222	1,347	1,259	-6.6%	2,427	2,606	7.4%
Result of loan losses <sup>1</sup> (B)	(530)	(326)	(379)	16.3%	(950)	(705)	-25.8%
<b>Net Financial Margin (A+B)</b>	691	1,021	880	-13.9%	1,477	1,901	28.7%
<b>Operating Income/Expenses</b>	(506)	(517)	(412)	-20.3%	(1,012)	(929)	-8.2%
Income from Services and Banking Fees	326	325	344	6.0%	616	669	8.6%
Personnel <sup>2</sup> and Administrative expenses	(612)	(653)	(541)	-17.3%	(1,152)	(1,194)	3.6%
Tax expenses	(92)	(92)	(109)	18.3%	(180)	(201)	11.7%
Income from subsidiaries	66	80	83	3.6%	124	163	30.7%
Other Operating Income/(Expenses)	(195)	(176)	(190)	7.5%	(421)	(366)	-13.1%
<b>Operating Income (Loss)</b>	185	505	468	-7.3%	464	972	109.4%
<b>Non-Operating Income (Loss)</b>	(1)	(3)	(2)	-45.4%	(17)	(5)	-70.5%
<b>Income before Taxes</b>	185	501	466	-7.0%	447	967	116.2%
Income Tax and Social Contribution	(39)	(247)	(210)	-15.1%	(175)	(456)	-
<b>Net Income</b>	145	255	256	0.7%	273	511	87.5%

**Banco Votorantim continues advancing in the profitability of its businesses, operational efficiency and revenue diversification**

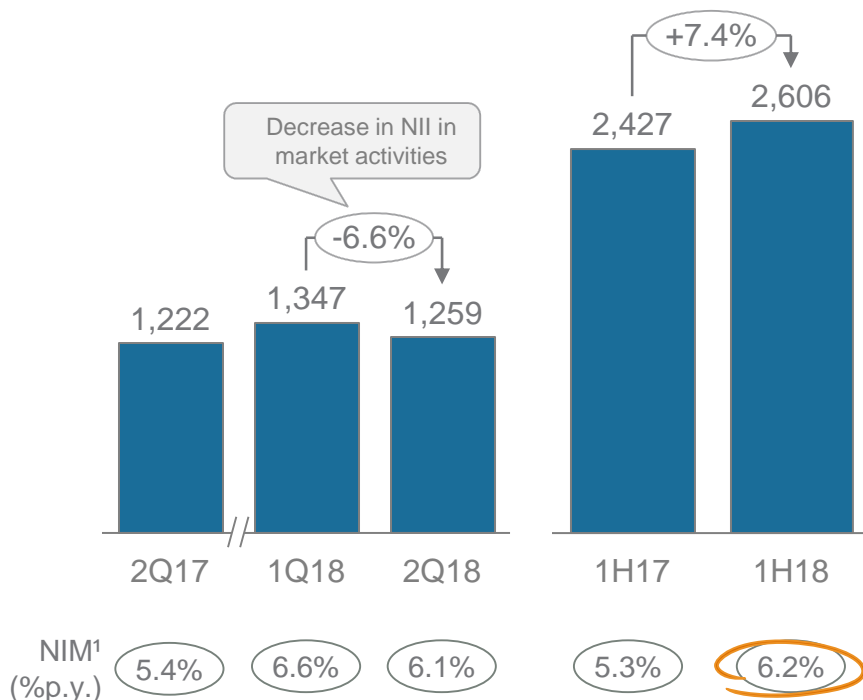
1. Net of revenues from recovery of written-off loans and impairments; 2. Includes profit sharing expenses.

# Growing and diversified revenue base

1H18 x 1H17: Both NII and income from services and insurance increased

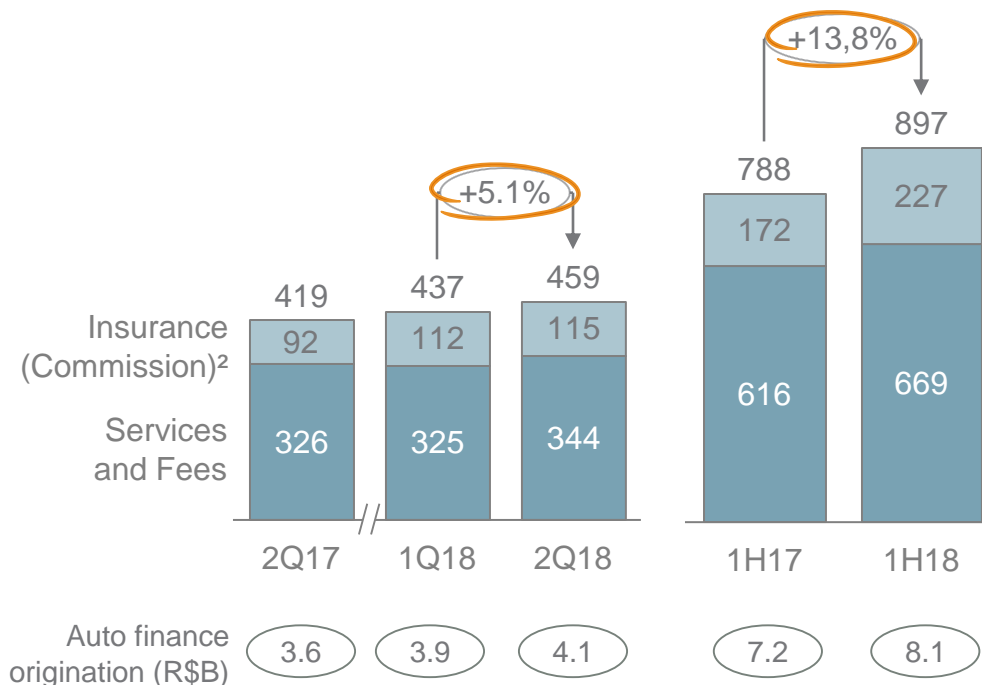
**NIM reached 6.2% in 1H18, driven by the growth of Net Interest Income**

Net Interest Income – NII (R\$M)



**Income from services and insurance grew in 2Q18 and 1H18, reflecting the auto finance origination**

Income from Services, Fees and Insurance<sup>2</sup> (R\$M)

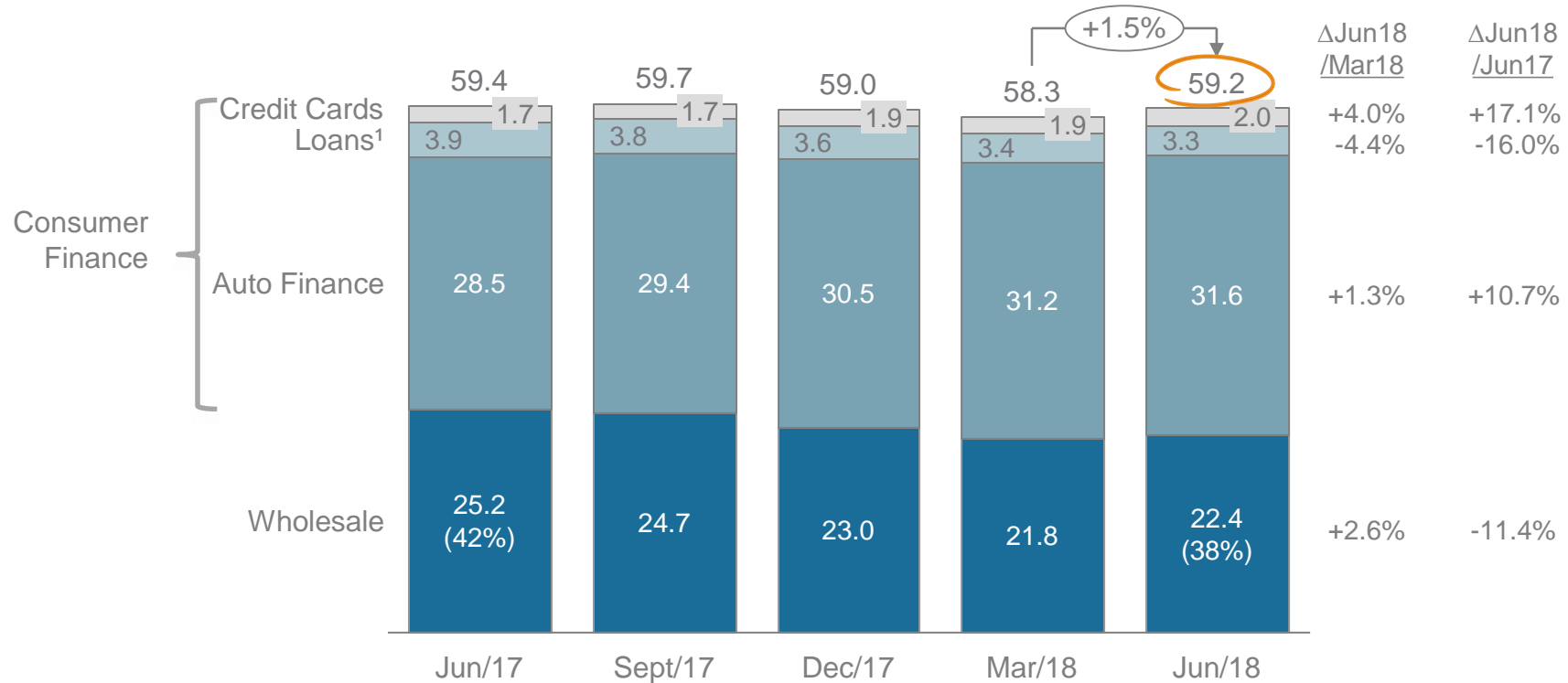


1. Ratio between Net Interest Income and Average Interest-Earning Assets; 2. Result of the stake in Votorantim Corretora de Seguros (insurance brokerage) is recognized using the equity method.

# Maintenance of the conservative approach to credit

Expanded credit portfolio of R\$ 59.2B in Jun/18, increase of 1.5% in 2Q18 and stable YoY

Expanded credit portfolio (R\$B)  
(includes guarantees provided and private securities)



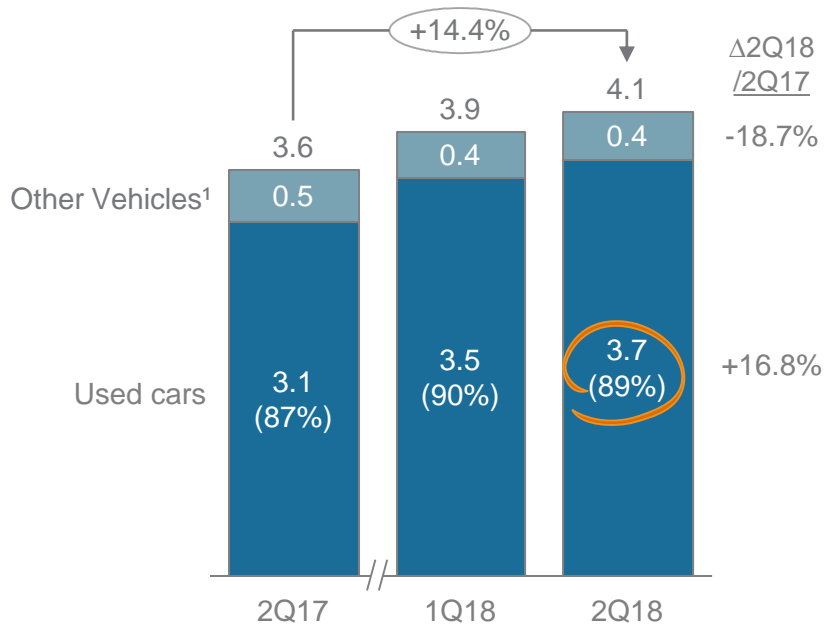
**Focus on profitability, with increased participation of the Consumer Finance business in the portfolio**

1. Portfolio comprised by products: payroll (retirees, private and public), personal credit (with and without guarantee), home equity, student credit and solar

# Auto finance: continued focus on used cars and maintenance of tight credit origination standards

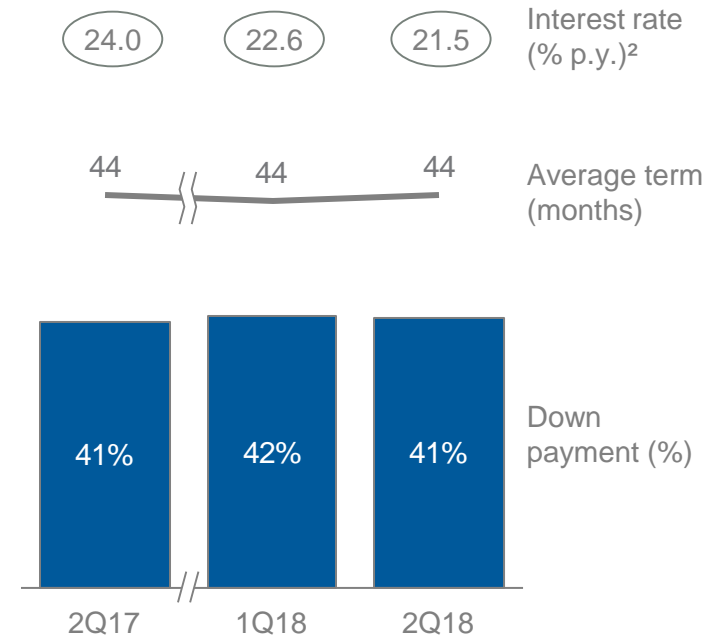
**Focus on used cars, which represented 89% of 2Q18 origination**

Origination of auto loans (R\$B)



**Maintenance of conservative lending standards**

Down payment, average term and interest rate



**Banco Votorantim is one of the market leaders in auto financing**

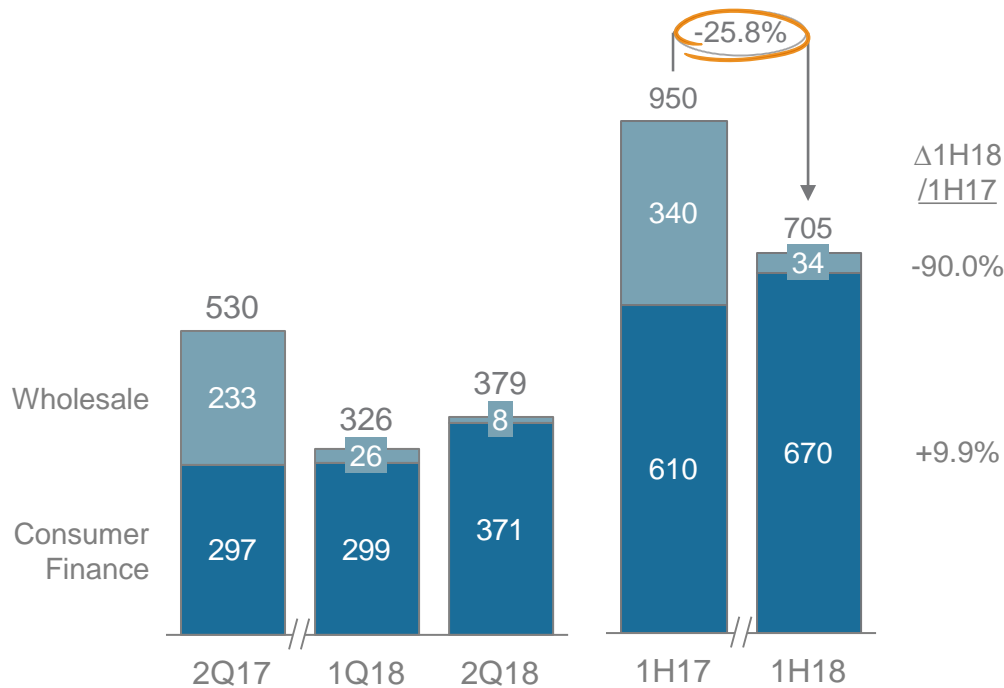
1. New cars, trucks and motorcycles; 2. Weighted average rate for the quarterly origination.  
 Note: in Jun/18, the average ticket size was R\$ 23,000, and the average vehicle age was 5.0 years (portfolio).

# Credit costs dropped 26% in 1H18/1H17

90-day Coverage Ratio reached 184% in Jun/18

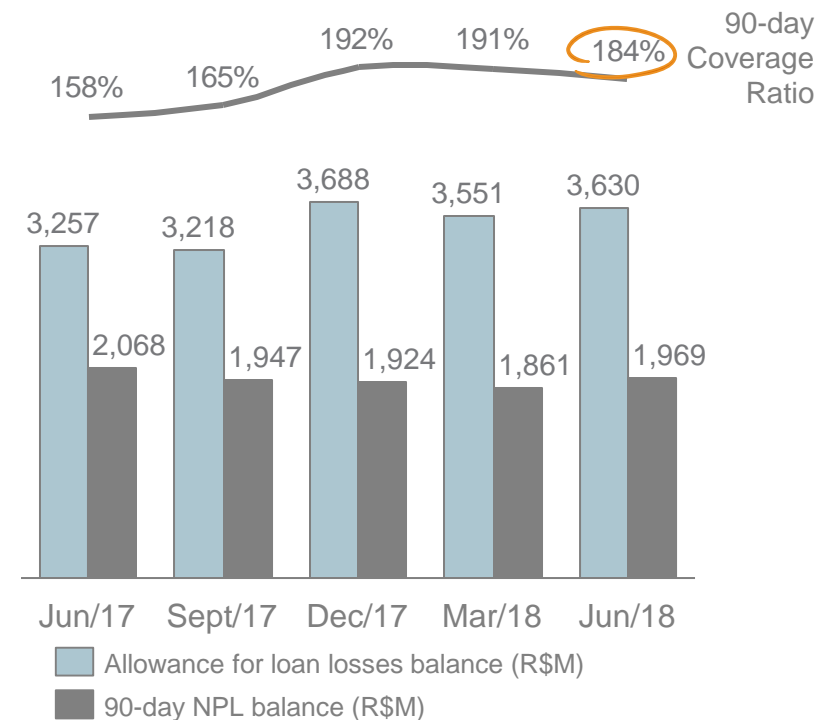
## Result<sup>1</sup> of loan losses and impairments declined over the 1H17, mainly in Wholesale

Result of loan losses<sup>1</sup> and impairments - (R\$M)



## 90-day Coverage Ratio remains in a sturdy level

90-day Coverage Ratio<sup>2</sup>



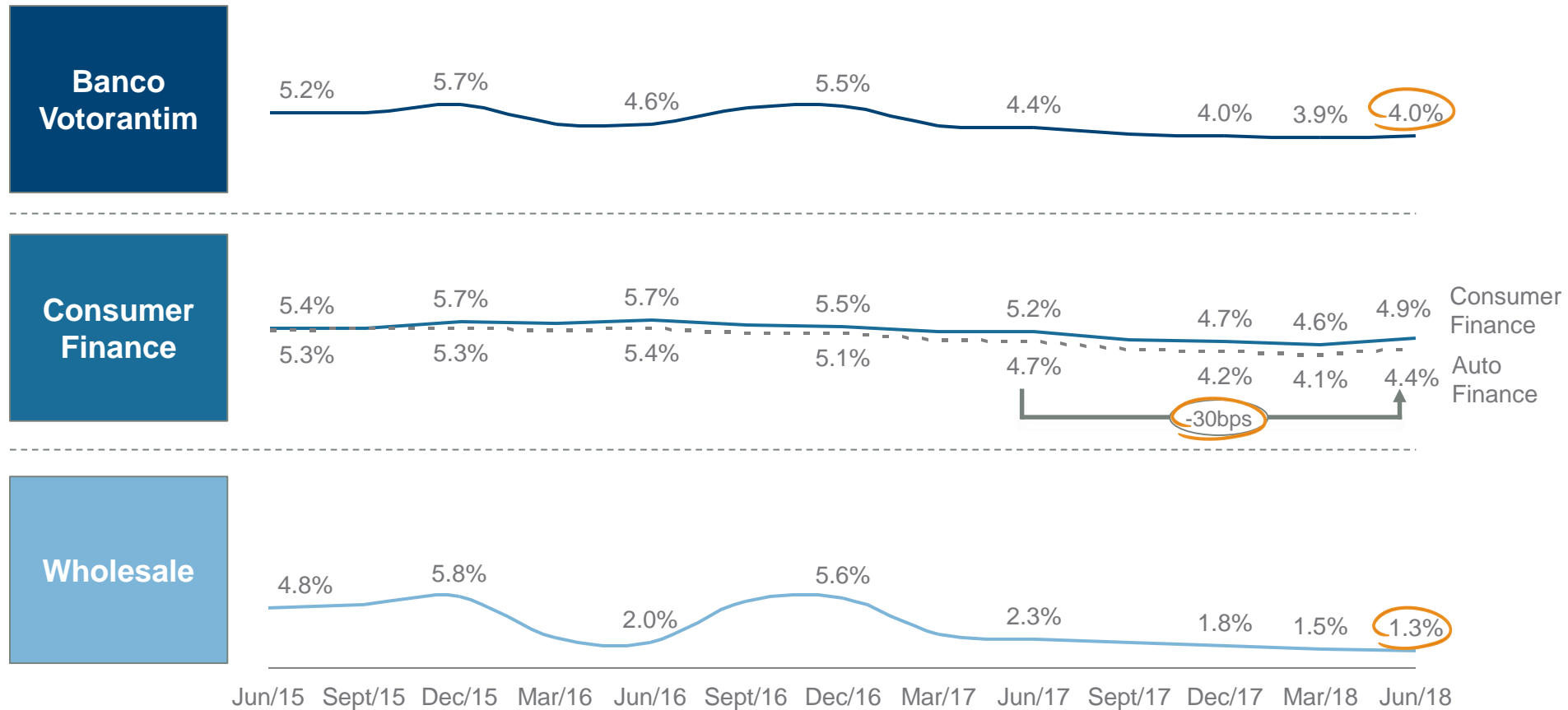
1. Net of revenues from recovery of written-off loans; 2. Ratio between the balance of Allowances for Loan Losses and the balance of loans past due over 90 days.



# 90-day NPL declined to 4.0% in Jun/18 (4.4% in Jun/17)

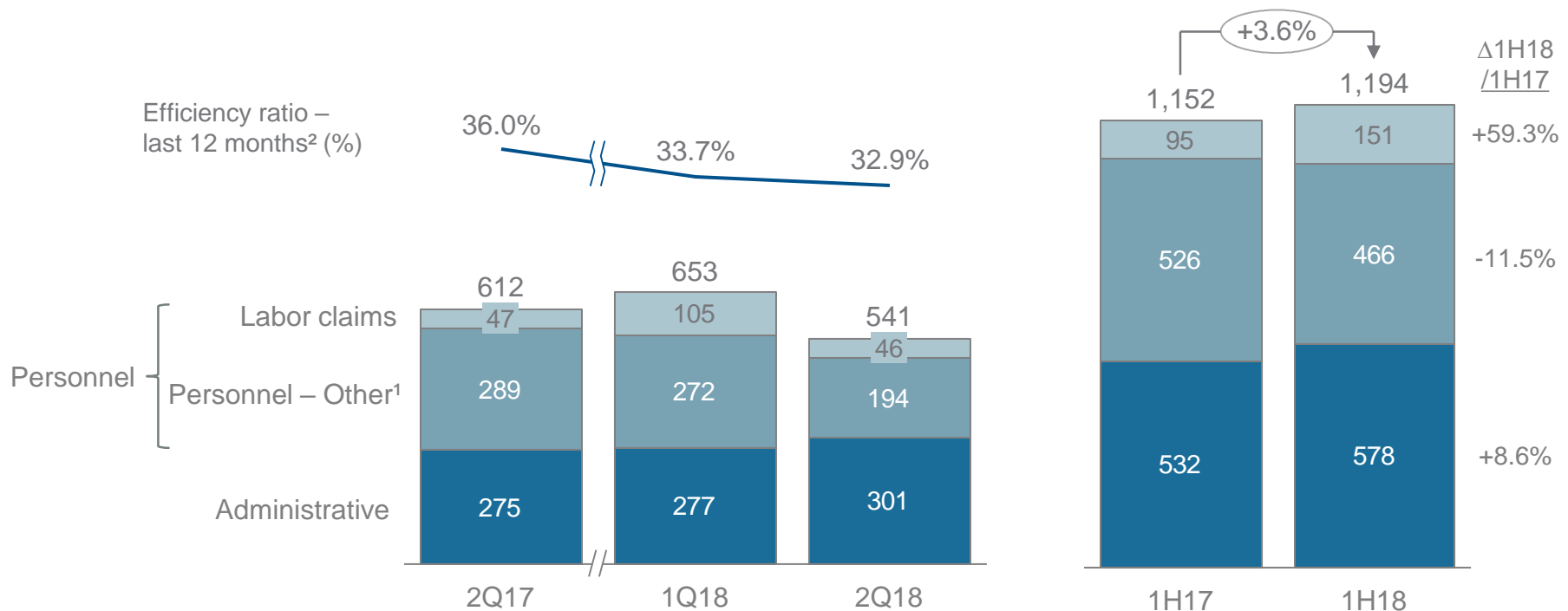
Auto Finance: delinquency decreased 30bps YoY, to 4.4%; Wholesale's NPL decreased again

90-day NPL ratio of the loan portfolio (%)



# The cost base management contributed to the improvement of the Efficiency Ratio for the last 12 months

Personnel<sup>1</sup> and administrative expenses (R\$M)



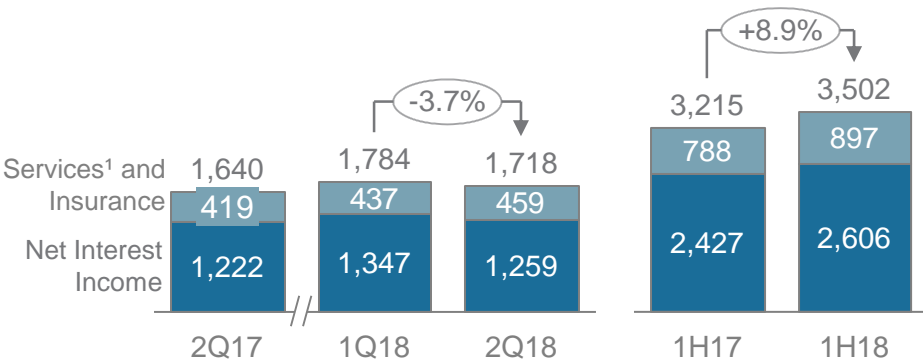
1. Includes profit sharing expenses; 2. Excludes expenses with labor lawsuits and profit sharing expenses.

# Summary: Net income of R\$ 511M in 1H18, and ROE of 11.6%

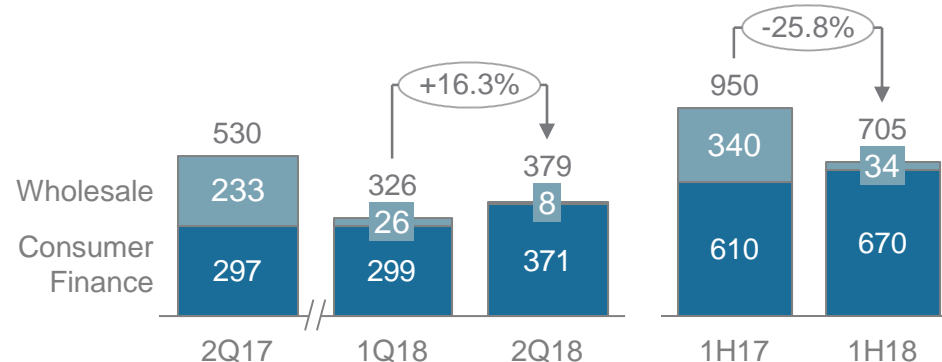
Consistent revenue generation, maintenance of credit quality and cost basis control

R\$ Million

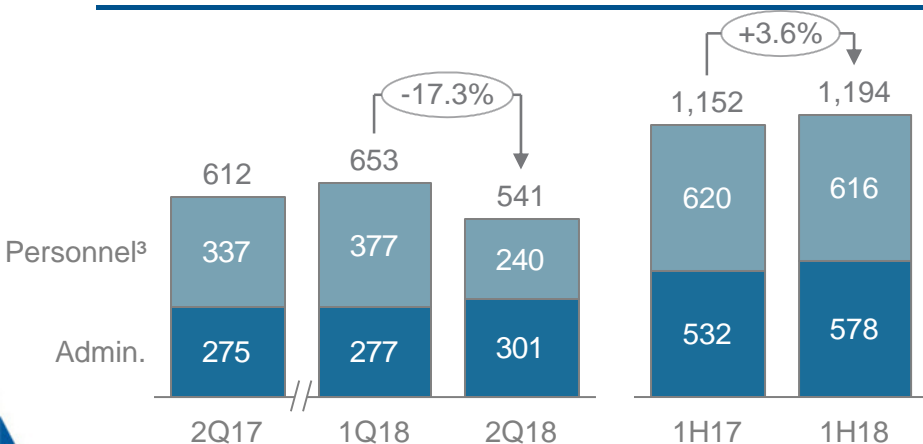
## NII and Income from Services<sup>1</sup> and Insurance



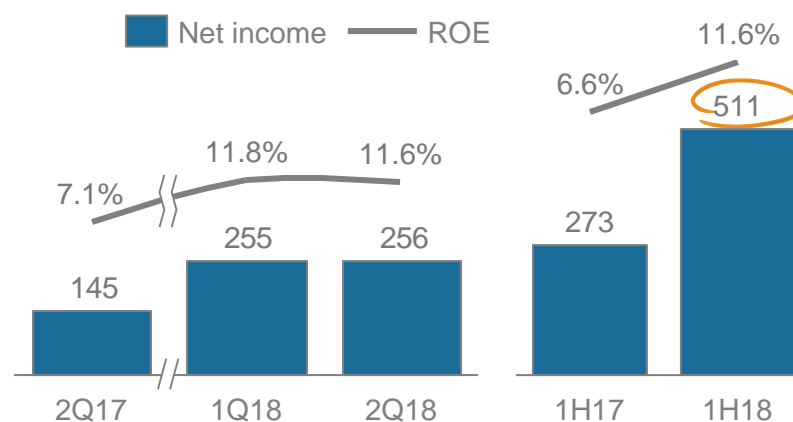
## Result<sup>2</sup> of loan losses and impairments



## Personnel and Administrative expenses



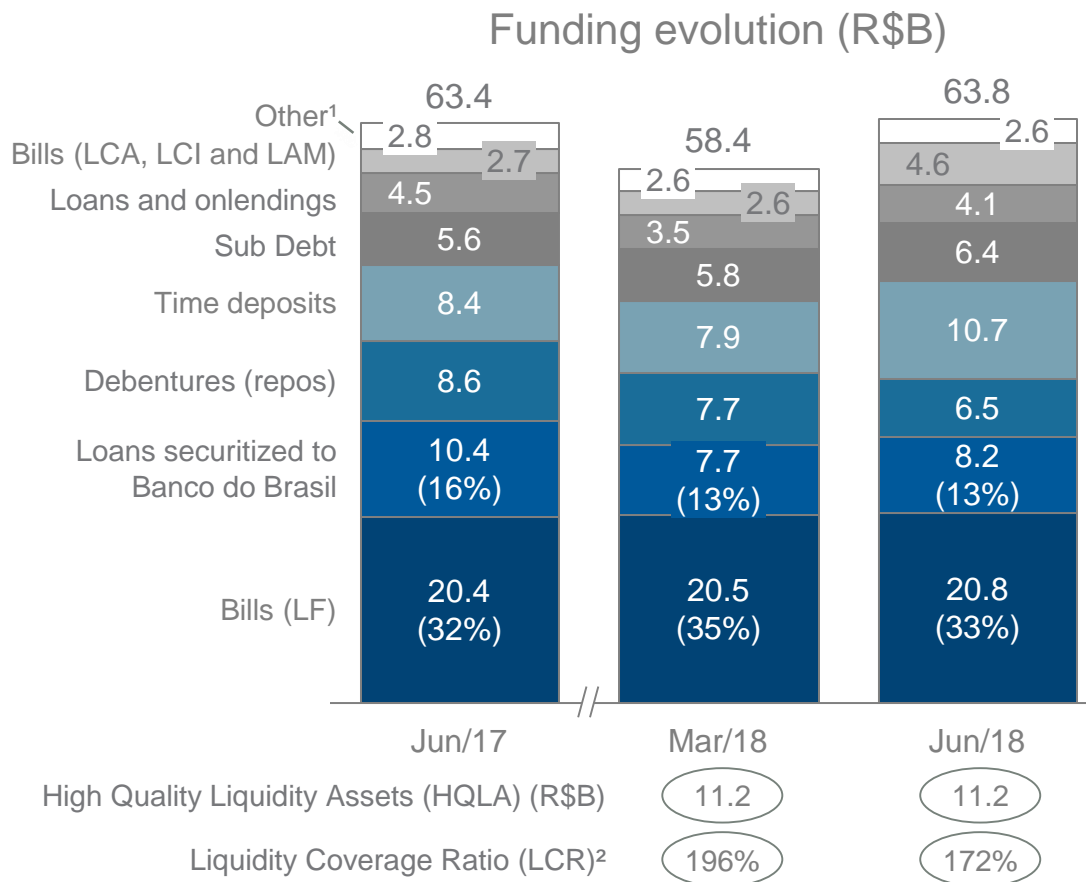
## Net Income and ROE



1. Income from services and banking fees; 2. Net of revenues from recovery of written-off loans; 3. Includes profit sharing expenses.

# Funding volume amounted to R\$ 63.8B in Jun/18

Credit assignments and Bills represented almost half of total funding



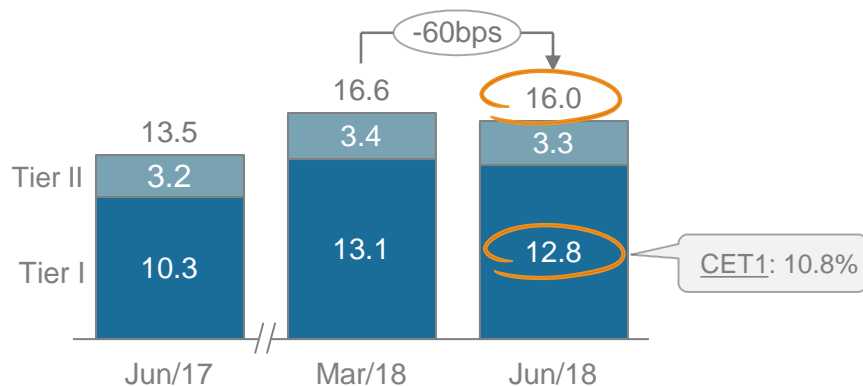
**Additionally, Banco Votorantim has a standby credit facility with BB since 2009, which has never been tapped**

1. Includes cash and interbank deposits, and securities abroad, whose balance was R\$ 0.6B in Jun/18; 2. Ratio of total high quality liquid assets (HQLA) and the total cash inflows for a 30 days period in a stress scenario, being the minimum regulatory of 90%. Does not consider standby credit facility with Banco do Brasil.

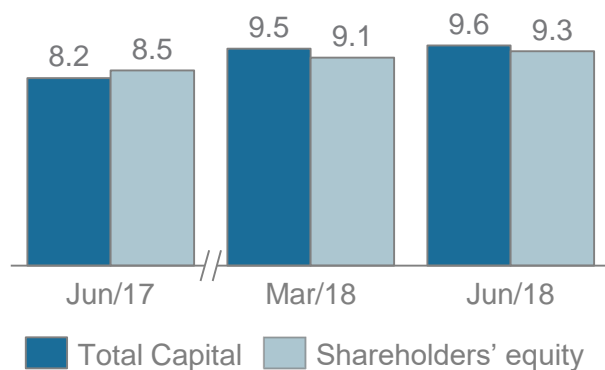
# Basel Ratio of 16.0% in Jun/18

Tier I Capital ratio of 12.8%, with 10.8% of CET1

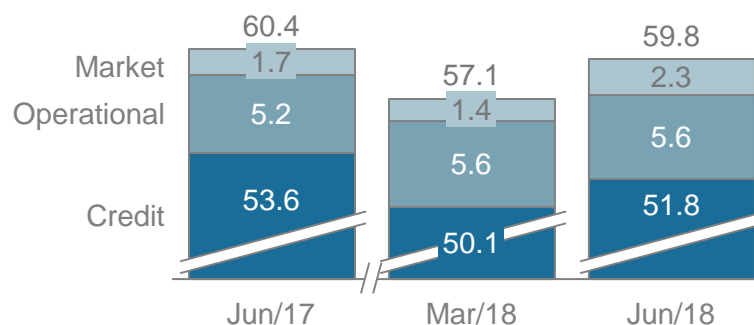
Basel Ratio<sup>1</sup> (%)



Total Capital and Shareholders' Equity (R\$B)



Risk-weighted assets – RWA (R\$B)



1. On Nov / 17 the Bank issued USD 300M in perpetual bonds, which were approved in Mar/18 to compose complementary CET1.  
 Note: In 2018, the minimum regulatory capital requirement was 10.5% for the Basel Ratio, 7.88% for Tier I Capital Ratio and 6.38% for CET1.

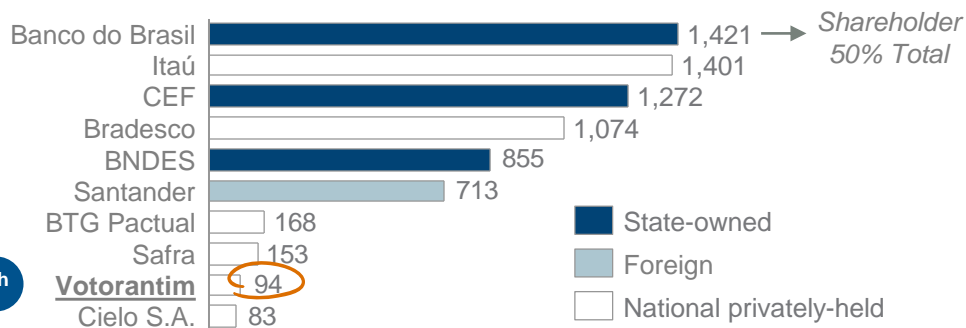
Appendix

# Banco Votorantim is one of the leading banks in Brazil

“Top 10” in total assets, with strong shareholders and shared governance

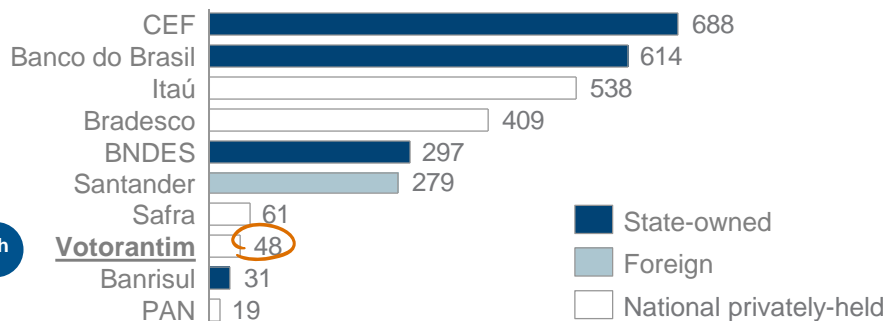
## Banco Votorantim is one of the largest privately-held Brazilian banks in total assets...

10 largest Banks in Mar/18 - Total Assets (R\$B)

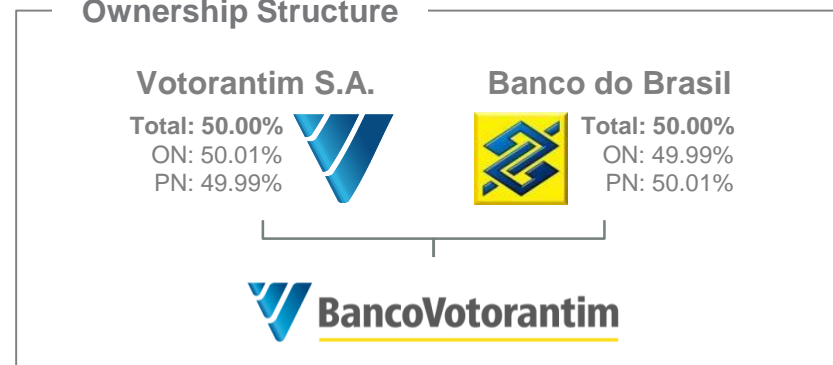


## ...and also in terms of loan portfolio

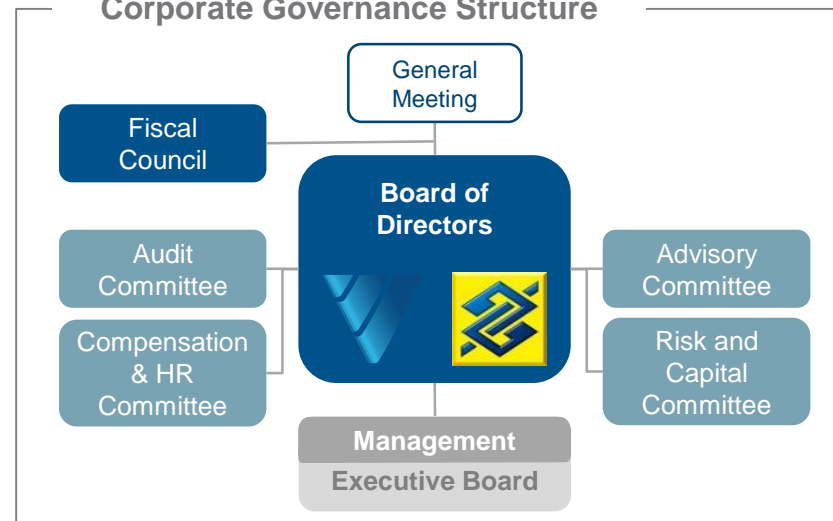
10 largest Banks in Mar/18 - Loan Portfolio<sup>1</sup> (R\$B)



## Ownership Structure



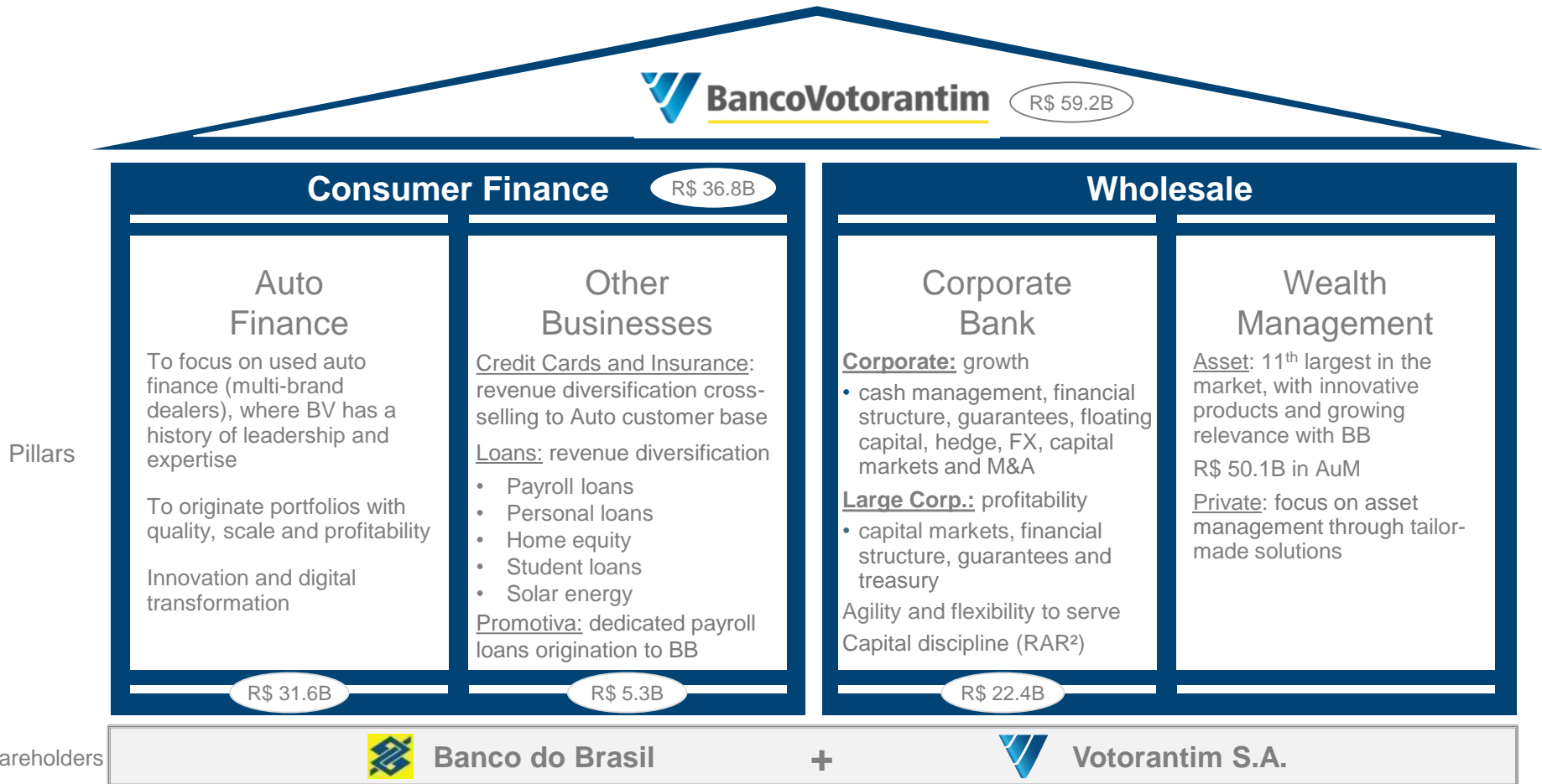
## Corporate Governance Structure



1. On-balance loan portfolio according to Central Bank's Resolution 2,682.

# Diversified business portfolio

Focus on increasing profitability, operating efficiency and diversifying revenues



○ Expanded<sup>1</sup> credit portfolio

1. Includes guarantees provided by the Bank and private securities; 2. Risk-adjusted return.

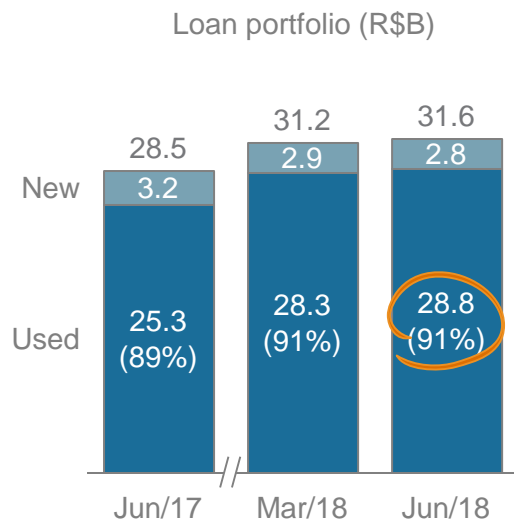


# Consumer Finance: increased focus on used auto finance and selective operation in loans agreements



## Consumer Finance Businesses

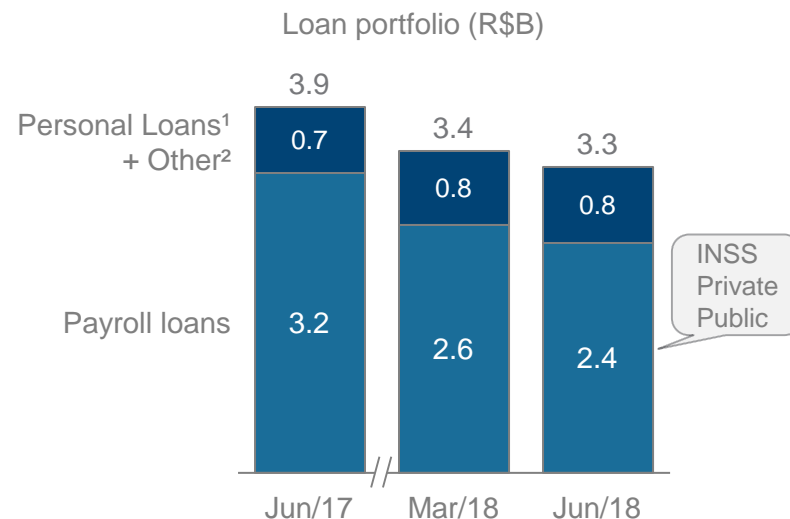
### Auto finance



Among market leaders in auto financing, with the following advantages:

- Capillarity: presence in ~18,000 car dealerships nationwide
- Agility: 91% of proposals with automatic credit decision
- Expertise: continuous improvement of management tools (pricing, credit, collection etc.)
- Long-term relationship: first access to customer record

### Loans and financing



**Payroll loans:** refinancing of the INSS (retirees and pensioners) portfolio; increasing the Private portfolio; selective operation in Public payroll agreements

#### Personal loans and other businesses:

- Personal loans
- Student loans
- Home equity
- Solar energy
- Partnerships with fintechs (ex: Guia Bolso; Neon Pagamentos)

1. With and without guarantees; 2. Includes home equity, student credit and solar energy.

# Credit Cards and Insurance: revenue diversification through cross-selling to auto finance customers



## Consumer Finance Businesses

### Credit Cards

Active cards (million) and Loan Portfolio (R\$B)



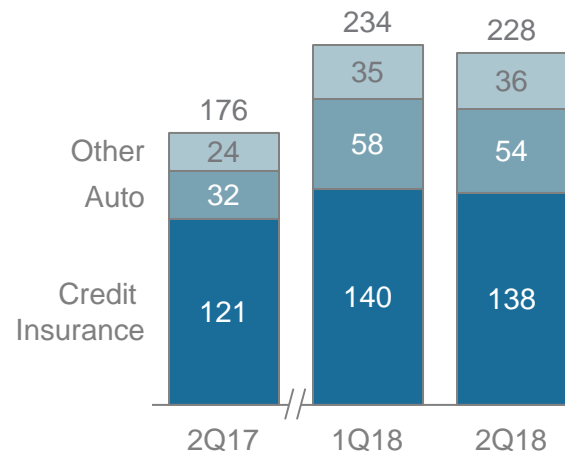
**Issuance of Visa and Mastercard credit cards**

**Focus on exploring the current customer base of vehicle financing...**

**... and growing organically through new business partnerships (ex.: Netpoints)**

### Insurance brokerage

Insurance premiums (R\$M)



**Increase commission revenues by leveraging retail customer base**

**Diversify the insurance portfolio:**

- Life
- Home
- Personal accidents, etc.

# Wholesale: focus on growing in the Corporate segment to improve return on capital and diversify credit risk

## Wholesale Business

### Corporate Bank

Wide range of products

Local currency & Cash Management

Foreign currency & FX

Corporate Finance

Project Finance

Derivatives

Capital market & M&A

Funding

### Highlights and strategy

**Large Corporate (> R\$ 1,500M): increase profitability**

- Focus on capital market operations, financial structuring, guarantees and treasury

**Corporate bank (R\$ 300M to R\$ 1,500M): portfolio growth**

- Focus on cash management operations, financial structuring, guarantees, floating capital, hedge, FX, capital markets and M&A

**Discipline in capital allocation and risk management (RAR<sup>1</sup>)**

**Leverage competitive capabilities**

- Agility and flexibility to serve clients
- Sectoral expertise (infrastructure and agribusiness)
- DCM distribution
- Officers with responsibility for credit

**Improve cost-to-income ratio**

1. Risk-adjusted return.

# Financial highlights

## Balance sheet

BALANCE SHEET   Assets (R\$ Million)	Jun.17	Mar.18	Jun.18
<b>CURRENT AND LONG-TERM ASSETS</b>	<b>101,657</b>	<b>93,309</b>	<b>96,750</b>
Cash and cash equivalents	135	159	92
Interbank funds applied	17,942	16,356	20,658
Securities and derivative financial instruments	27,004	18,309	15,143
Derivative financial instruments	2,722	3,414	4,817
Interbank accounts or relations	357	233	1,297
Loan Operations, Leases and Others receivables	46,476	46,749	47,441
Allowance for loan losses	(3,231)	(3,540)	(3,622)
Tax credit	7,495	7,102	7,042
Others	2,757	4,527	3,885
<b>NON-CURRENTS</b>	<b>809</b>	<b>1,054</b>	<b>1,404</b>
<b>TOTAL ASSETS</b>	<b>102,467</b>	<b>94,363</b>	<b>98,154</b>
<b>BALANCE SHEET   Liabilities (R\$ Million)</b>	<b>Jun.17</b>	<b>Mar.18</b>	<b>Jun.18</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>93,928</b>	<b>85,255</b>	<b>88,766</b>
Deposits	10,255	10,128	12,636
Demand and Interbank deposits	1,821	2,180	1,984
Time deposits	8,433	7,948	10,652
Money market borrowings	31,017	25,119	22,124
Acceptances and endorsements	24,054	23,549	26,058
Interbank accounts	56	139	72
Borrowings and onlendings	4,459	3,533	4,111
Derivative financial instruments	2,960	3,199	4,285
Others obligations	21,127	19,588	19,480
Subordinated debts	5,560	5,766	6,352
Credit transactions subject to assignment	10,447	7,731	8,198
Others obligations	5,121	6,090	4,930
<b>DEFERRED INCOME</b>	<b>31</b>	<b>34</b>	<b>40</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>8,508</b>	<b>9,074</b>	<b>9,349</b>
<b>TOTAL LIABILITIES</b>	<b>102,467</b>	<b>94,363</b>	<b>98,154</b>

## Managerial Income Statement

(R\$ Million)	2Q17	1Q18	2Q18
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Other Operating Income/(Expenses)	(195)	(176)	(190)
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<b>Non-Operating Income (Loss)</b>	<b>(1)</b>	<b>(3)</b>	<b>(2)</b>
<b>Income before Taxes</b>	<b>185</b>	<b>501</b>	<b>466</b>
Income Tax and Social Contribution	(39)	(247)	(210)
<b>Net Income</b>	<b>145</b>	<b>255</b>	<b>256</b>

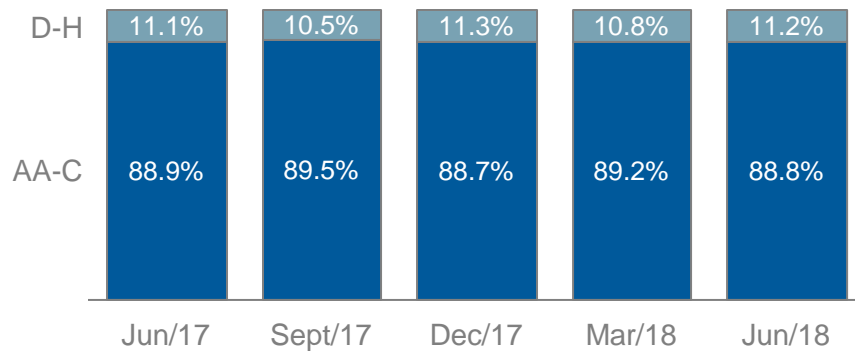
## Key indicators

(%)	2Q17	1Q18	2Q18
<b>Return on Average Equity (ROAE)</b>	<b>7.1</b>	<b>11.8</b>	<b>11.6</b>
<b>Return on Average Assets (ROAA)</b>	<b>0.6</b>	<b>1.1</b>	<b>1.1</b>
<b>Net Interest Margin<sup>3</sup> (NIM)</b>	<b>5.4</b>	<b>6.6</b>	<b>6.1</b>
<b>Efficiency Ratio - LTM<sup>4</sup></b>	<b>36.0</b>	<b>33.7</b>	<b>32.9</b>

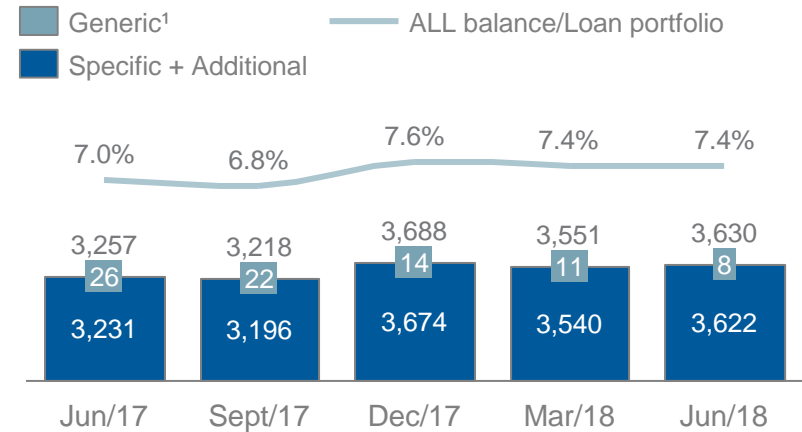
1. Net of revenues from recovery of written-off loans and impairments; 2. Includes profit sharing expenses; 3. Ratio between net interest income and average interest-earning assets of the period. This ratio is annualized; 4. ER = administrative and personnel expenses / (net interest income+ fee income/ banking fees income + equity in income from subsidiaries + other operational income and expenses);

# Credit quality indicators

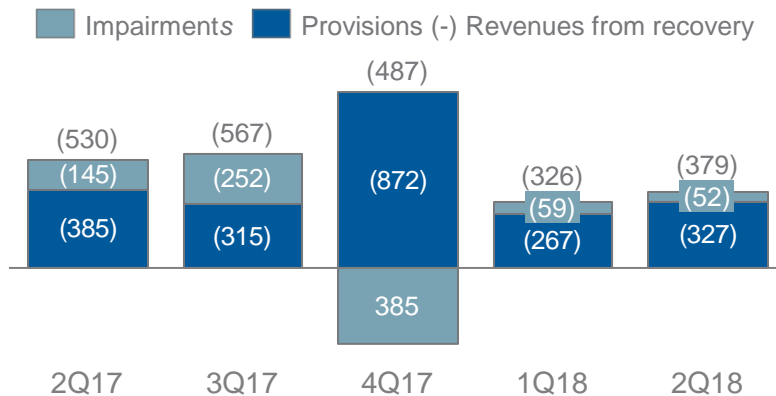
### Loan portfolio rated by risk level (%)



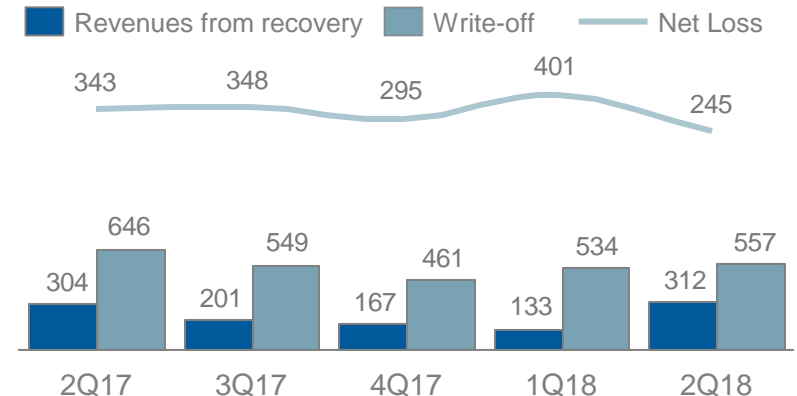
### Allowance for loan losses balance (R\$M)



### Result of loan losses and impairments (R\$M)



### Net Loss<sup>2</sup> (R\$M)

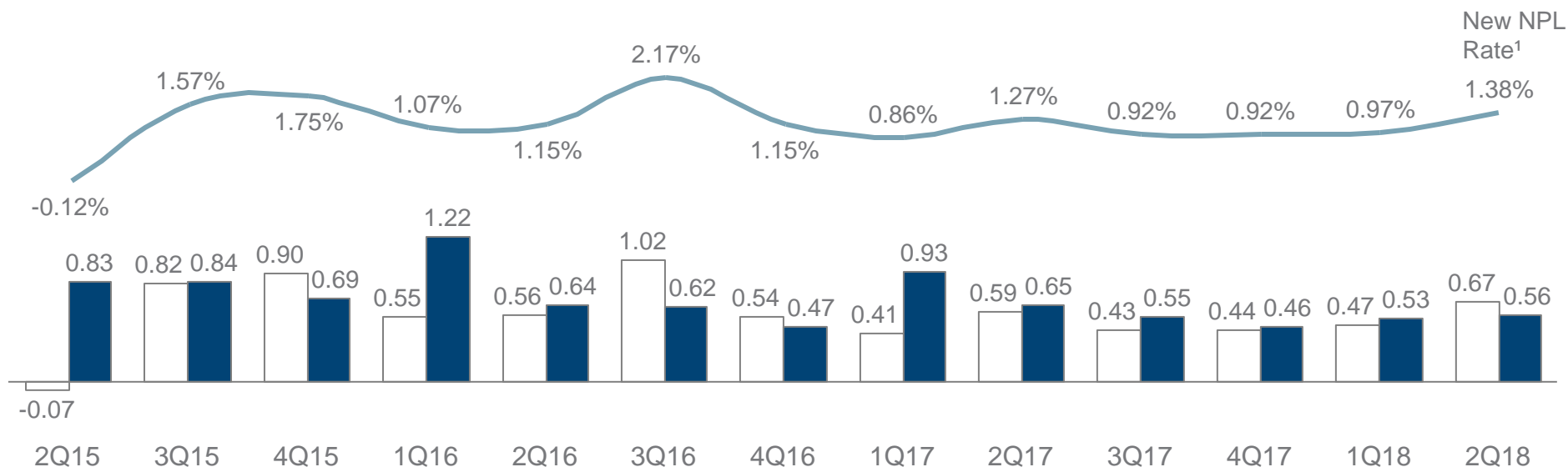


1. Considers credit provisions recognized as Liabilities in the "Other" line (see Note #18d of Financial Statements); 2. Net loss = loans written-off to losses in the quarter + revenues from credit recovery.

# New NPL rate

NEW NPL (R\$ Million)	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Managed Loan Portfolio (A)	52,505	51,576	51,250	48,799	46,925	47,031	47,620	46,931	46,828	47,608	48,679	48,185	49,170
90-day NPL Balance	2,727	2,712	2,923	2,254	2,174	2,567	2,638	2,120	2,068	1,947	1,925	1,861	1,969
90-day NPL Quarterly Variation (B)	(901)	(14)	211	(669)	(80)	393	71	(518)	(53)	(120)	(22)	(64)	108
Write-off (C)	834	838	693	1,215	639	624	469	926	646	549	461	534	557
New NPL (D=B+C)	(66)	823	903	546	560	1,017	540	408	594	429	439	470	665
New NPL Rate <sup>1</sup> (D/A)	-0.12%	1.57%	1.75%	1.07%	1.15%	2.17%	1.15%	0.86%	1.27%	0.92%	0.92%	0.97%	1.38%

□ New NPL (R\$B) ■ Write-off (R\$B)



1. Variation in the balance of 90-day NPL balance + loans written-off to loss in the quarter, divided by loan portfolio by the end of the immediately preceding quarter.

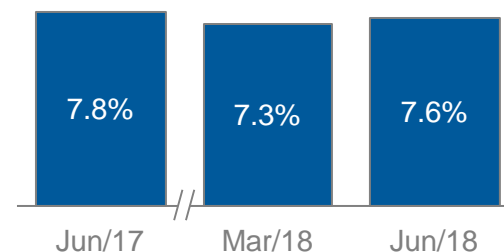
# Wholesale credit portfolio

## Sectoral concentration<sup>1</sup>

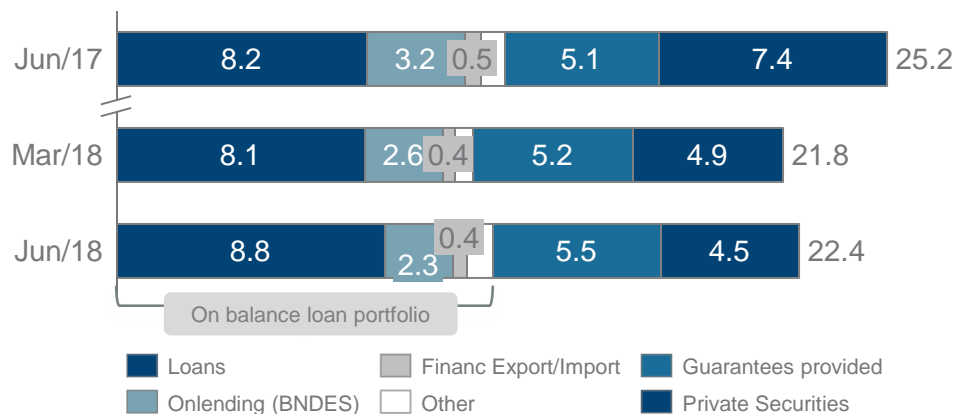
Wholesale Sectorial concentration	Jun.17		Jun.18	
	R\$M	Part.(%)	R\$M	Part.(%)
Financial Institutions	1,979	12.1%	2,280	14.2%
Sugar and Ethanol	2,075	12.6%	1,601	9.9%
Telecom	1,511	9.2%	1,356	8.4%
Retail	957	5.8%	999	6.2%
Mining	952	5.8%	952	5.9%
Agribusiness	653	4.0%	920	5.7%
Petrochemical	1,346	8.2%	869	5.4%
Automotive/Auto parts/Car Dealers	353	2.1%	642	4.0%
Railways	652	4.0%	605	3.8%
Oil & Gas	408	2.5%	503	3.1%
Government	499	3.0%	485	3.0%
Food and beverages industry	358	2.2%	374	2.3%
Slaughterhouses	254	1.5%	371	2.3%
Industry	189	1.2%	343	2.1%
Services	209	1.3%	330	2.0%
Trading Agro	161	1.0%	325	2.0%
Electricity Distribution	286	1.7%	298	1.9%
Logistics	290	1.8%	288	1.8%
Car Rental	320	2.0%	268	1.7%
Electricity Generation	519	3.2%	263	1.6%
Other	2,435	14.8%	2,020	12.6%
<b>Total<sup>1</sup></b>	<b>16,405</b>	<b>100.0%</b>	<b>16,092</b>	<b>100.0%</b>

## Loan portfolio

10 largest debtors / Total loan portfolio



Expanded credit portfolio by product - Wholesale (R\$B)



1. Numbers exclude private securities and are net of credit provisions.

Note: Does not consider application of Credit Conversion Factor of 50% in transactions relating to some specific guarantees provided.

# Banco Votorantim's main ratings

RATING AGENCIES		International		National	Brazil Sovereign rating
		Local	Foreign	Local	
Moody's	Long-term	Ba2	Ba3	Aa3.br	Ba2
	Short-term	NP	NP	BR-1	
Standard & Poor's	Long-term	BB-		brAAA	BB-
	Short-term	B		brA-1+	