



# Earnings Presentation

2<sup>nd</sup> Quarter, 2014

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\$ 140M in 2Q14 and R\$ 292M in 1H14

In 2H14, BV will keep working to consolidate net profit

## Highlights of 2Q14 results

<p><b>Profit of R\$ 140M in 2Q14</b></p>	<p><b>Net income of R\$ 140M in 2Q14 – third consecutive quarter of positive results, with net profit in each of the last nine months</b></p> <p><b>In 1H14, net income totaled R\$ 292M (R\$-474M in 1H13)</b></p>
<p><b>Consistent revenue generation</b></p>	<p><b>Net Interest Income increased 4.8% in 2Q14/1Q14 and 4.7% in 1H14/1H13, despite the reduction in the expanded credit portfolio, reflecting the focus on profitability (vs. growth)</b></p> <p><b>Net Interest Margin<sup>1</sup> (NIM) of 5.4% p.y. – improvement of 0.5 p.p. vs. 1Q14 and 1.1 p.p. vs. 2Q13</b></p>
<p><b>Maintained asset quality</b></p>	<p><b>BV has been originating auto finance with quality and scale for more than 30 months</b></p> <ul style="list-style-type: none"> <li>Better quality vintages reached 81% of the managed auto finance loan portfolio (62% in June/13)</li> </ul> <p><b>Consumer Finance’s 90-day NPL at 6.6%, stable compared to Mar/14 and 0.5 p.p. below June/13</b></p>
<p><b>Reduced credit provisions</b></p>	<p><b>ALL expenses<sup>2</sup> dropped by 26.7% in 2Q14/1Q14 and 33.1% (R\$ 611M) in 1H14/1H13</b></p> <ul style="list-style-type: none"> <li>Expenses with credit provisions in 2Q14 (R\$ 523M) were the lowest since 1Q11</li> </ul> <p><b>90-day Coverage Ratio reached 118% in June/14 (June/13: 111%; Sept/11<sup>3</sup>: 78%)</b></p>
<p><b>Reduction in the cost base</b></p>	<p><b>Personnel and Administrative expenses reduced 13.0% in 2Q14/1Q14 and 10.6% in 1H14/1H13</b></p> <ul style="list-style-type: none"> <li>Administrative expenses dropped almost 25% (R\$ 177M) in the 1H14/1H13 comparison</li> </ul> <p><b>Efficiency Ratio for the last 12 months reached 36.0% (Mar/14: 37.9%; June/13: 46.3%)</b></p>

1. Ratio between Net Interest Income and Average Interest-Earning Assets; 2. Net of income from recovery of written-off loans; includes ALL expenses of the portfolios assigned with recourse; 3. Beginning of the restructuring process

# Agenda

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**Banco Votorantim – Overview**

2Q14 Results

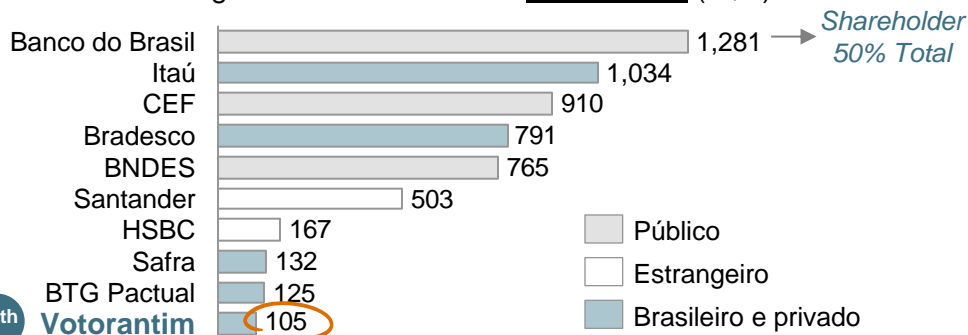
Appendix

# Banco Votorantim is one of the leading banks in Brazil

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

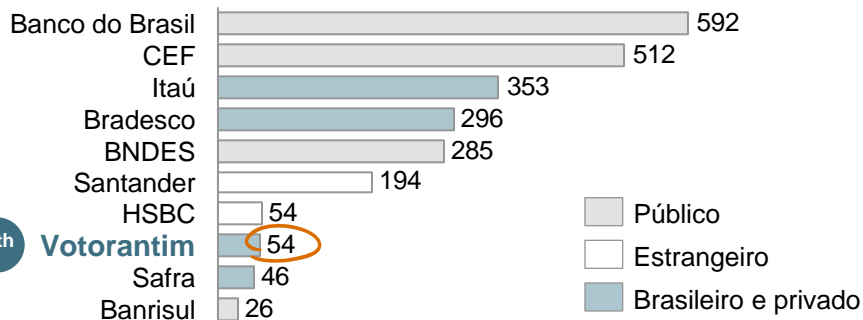
## Banco Votorantim is one of the largest privately-held Brazilian banks in total assets...

10 largest banks in Mar/14<sup>1</sup> - Total Assets (R\$B)

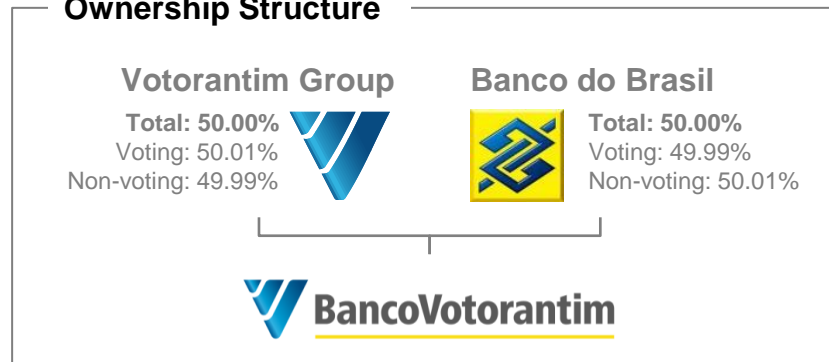


## ...and also in terms of loan portfolio

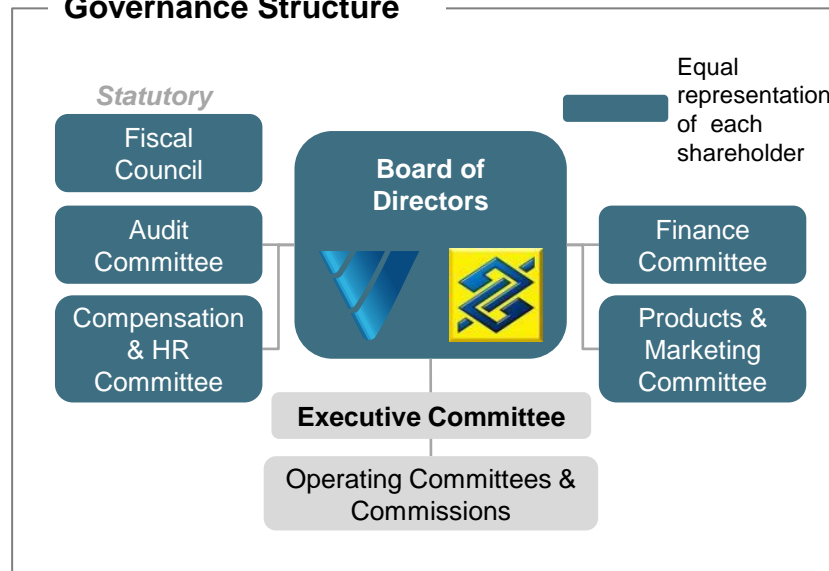
10 largest banks in Mar/14<sup>1</sup> – Loan Portfolio<sup>2</sup> (R\$B)



## Ownership Structure



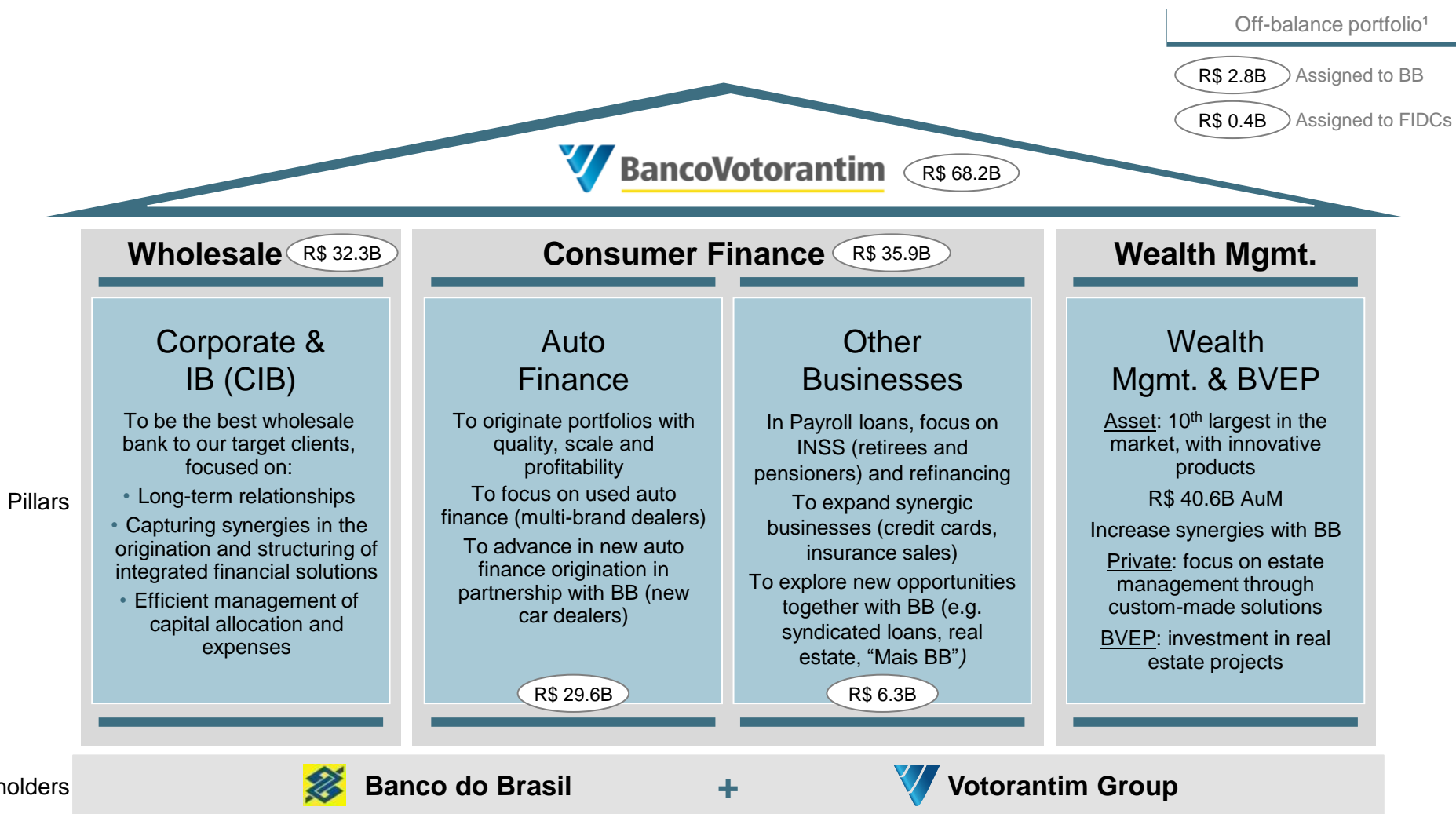
## Governance Structure



1. June/14 Central Bank (“Bacen”) data unavailable by the preparation of this presentation; 2. On-balance portfolio according to Bacen’s Res. 2,682

# Diversified business portfolio

Focus on expanding business profitability, operating efficiency and synergies with BB



Expanded credit portfolio<sup>2</sup>

1. Securitization with substantial risk retention before entry in force of Bacen's Res. 3,533; 2. Includes guarantees provided and private securities

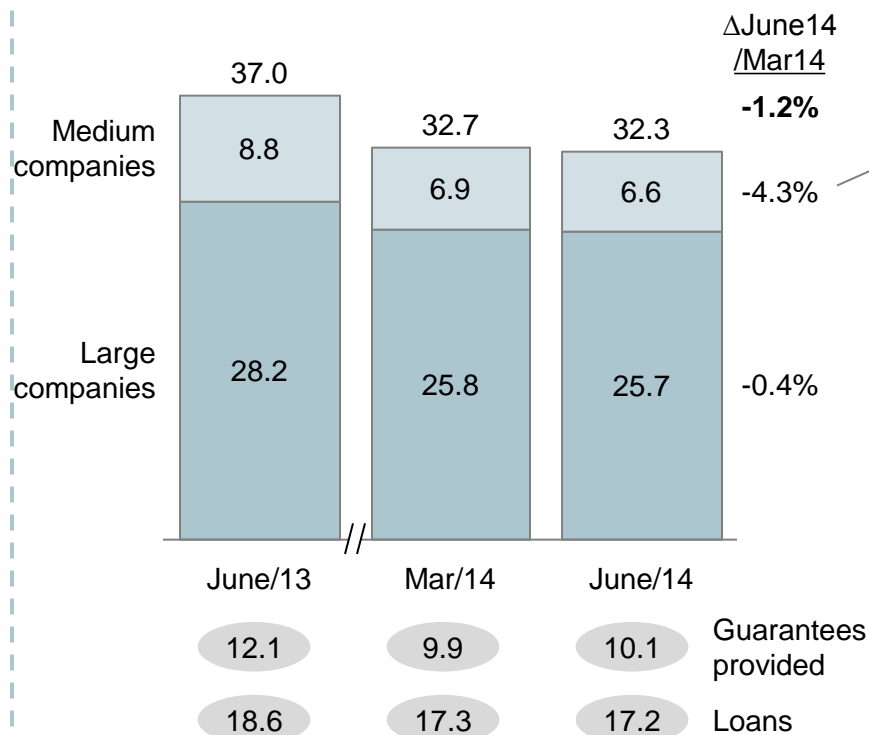
# Wholesale: continued focus on return on capital and on strengthening the product portfolio

## Wholesale Businesses

### Corporate & Investment Bank (CIB)

### Highlights

Expanded credit portfolio<sup>1</sup> (R\$B)



#### Disciplined approach to capital usage

- Credit selectivity
- Focus on products with low capital consumption (FX, IB)
- Active management of the credit portfolio
- Reduced exposure to the “lower middle market”
  - Portfolio in June/14: R\$ 1.3B (Mar/14: R\$ 1.8B)

#### Increased relevance of BV to its target clients

- Strengthening of the product portfolio
- Enhancing international distribution (NY and London)

#### Focus on capturing synergies in the origination and structuring of Credit, Capital Markets, Derivatives and FX operations

- 2<sup>nd</sup> place in the 2Q14 Local Fixed Income Distribution ranking<sup>2</sup> (3<sup>rd</sup> place in the 1H14)

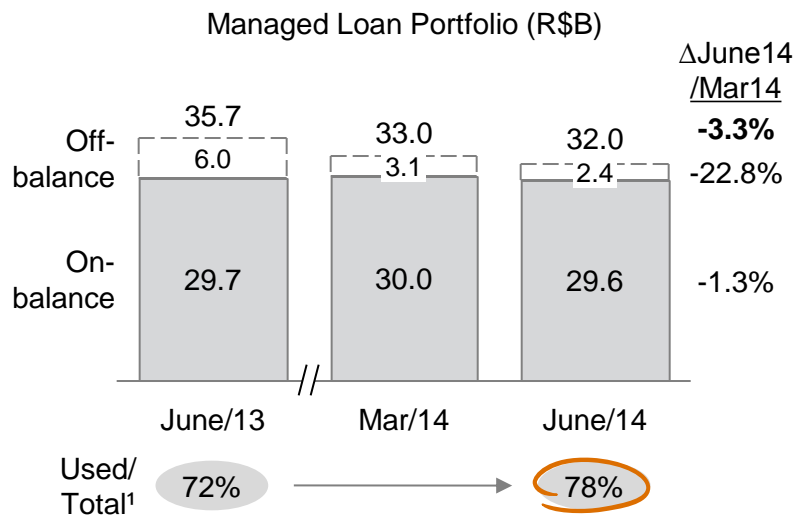
#### Thorough monitoring of key credit operations in “financial distress”, focused on debt restructuring

1. Includes on-balance portfolio (loans), guarantees provided (sureties and endorsements) and private securities; 2. “Ranking Anbima de Distribuição – Renda Fixa Consolidado” (June/14)

# Consumer Finance: intensified focus on used auto finance and INSS payroll loans (retirees and pensioners)

## Consumer Finance Businesses

### Auto Finance



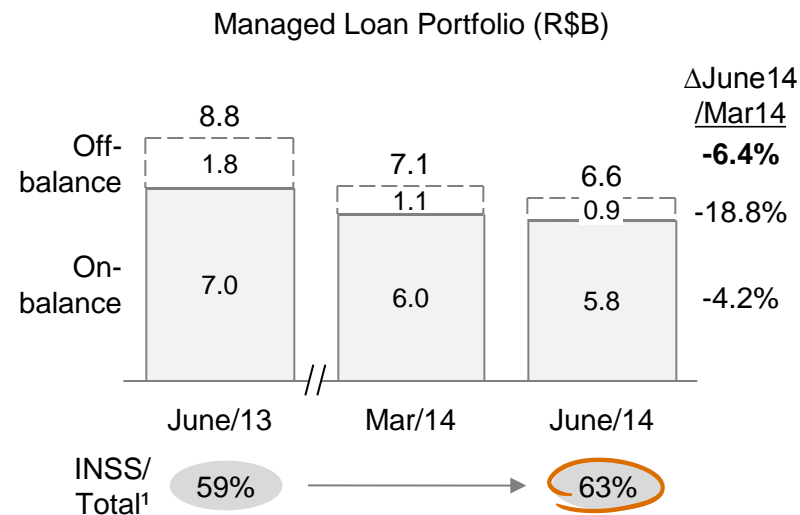
Among market leaders in auto financing

Operates as an extension of Banco do Brasil in auto financing outside of the branch network

Continuous improvement of credit processes

- 72%<sup>2</sup> automated credit decisions in June/14 (Dec/13: 65%; Jan/12: 28%)

### Payroll Loans



7<sup>th</sup> largest<sup>3</sup> player in the payroll loan market

Focus on INSS (retirees and pensioners)

Focus on refinancing (vs. growth)

Selective operation in private and public agreements

Res. 4,292 (May/14): Credit portability

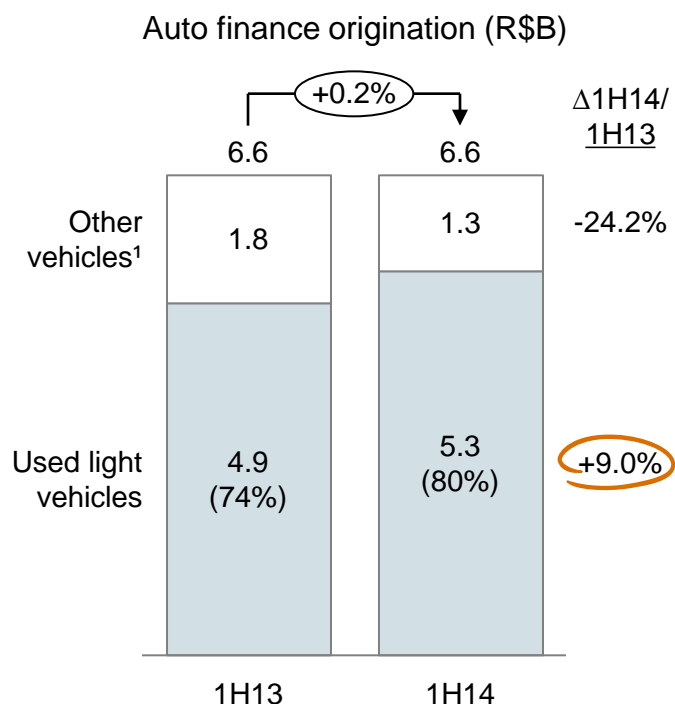
Res. 4,294 (Jan/15): Deferred Cobans<sup>4</sup> payment

1. Only on-balance portfolio; 2. Refers to light vehicles; 3. Banco Votorantim estimate; 4. Banking correspondents

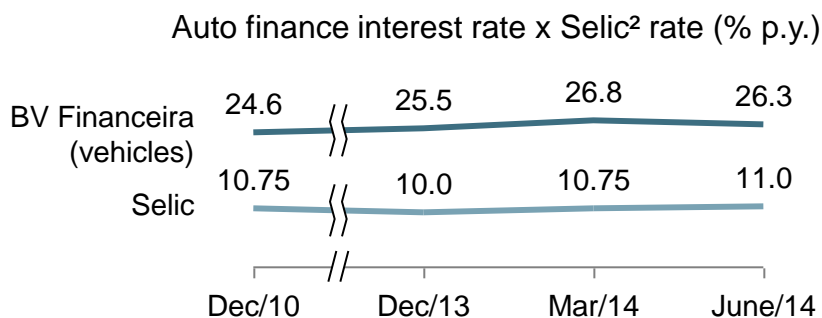
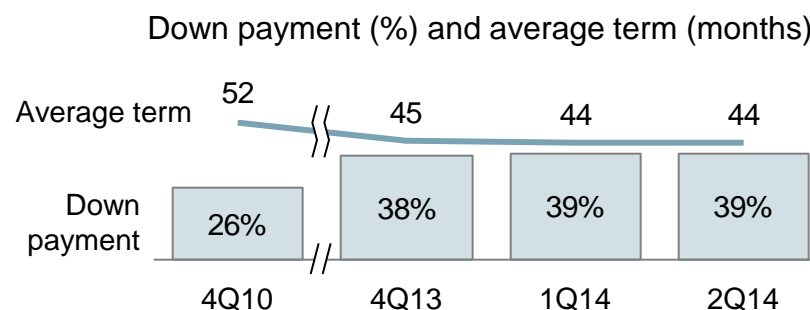
# Auto finance: origination amounted to R\$ 6.6B in 1H14

Increased focus on used light vehicles and maintained conservative credit concession

**Auto finance: financing of used light vehicles, BV's focus, increased 9.0% on 1H13**



**BV maintained the focus on quality and profitability of originated new vintages**



**Banco Votorantim is one of the leading players in the auto financing market**

1. New light vehicles, trucks and motorcycles; 2. Market's benchmark interest rate (Bacen)



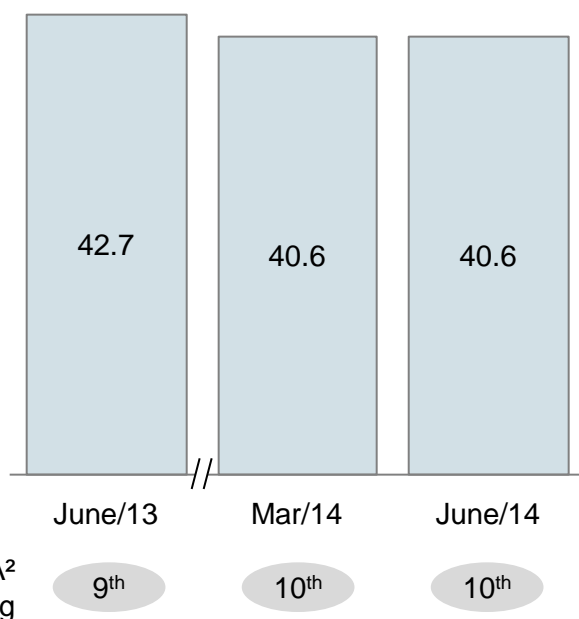


# Wealth Management: Asset focused on high value-added products and Private focused on estate management

## Wealth Management Businesses

### Wealth Management & Services

Assets under Management<sup>1</sup> (R\$B)



ANBIMA<sup>2</sup>  
ranking

### Highlights

#### Asset Management

- Focus on high value-added structured products
- “Top Gestão 2014 – Renda Fixa<sup>3</sup>”: Fixed Income award
- Continuous expansion of synergies with BB
  - Volume of partnership funds: R\$ 4.6B
  - BB Votorantim Highland Infraestrutura, infrastructure fund launched in June/14, raised R\$ 300M

#### Private Bank

- Focus on High and Ultra High clients (assets > R\$ 25M)
- Integrated estate management, through differentiated and custom-made solutions
- ISO 9001:08 certification

#### VVEP – BV Empreendimentos e Participações

- Focus on real estate, residential, commercial and logistic projects (SP, RJ, MG and DF)



**VWM&S aims at being one of the best in structuring and managing high value-added products**

1. Includes onshore funds (ANBIMA criteria) and private clients' assets (fixed income, equities and offshore funds); 2. Managers' ranking; 3. Awarded by the Valor Investe magazine, along with Standard & Poor's, in the “largest asset managers” category

# Agenda

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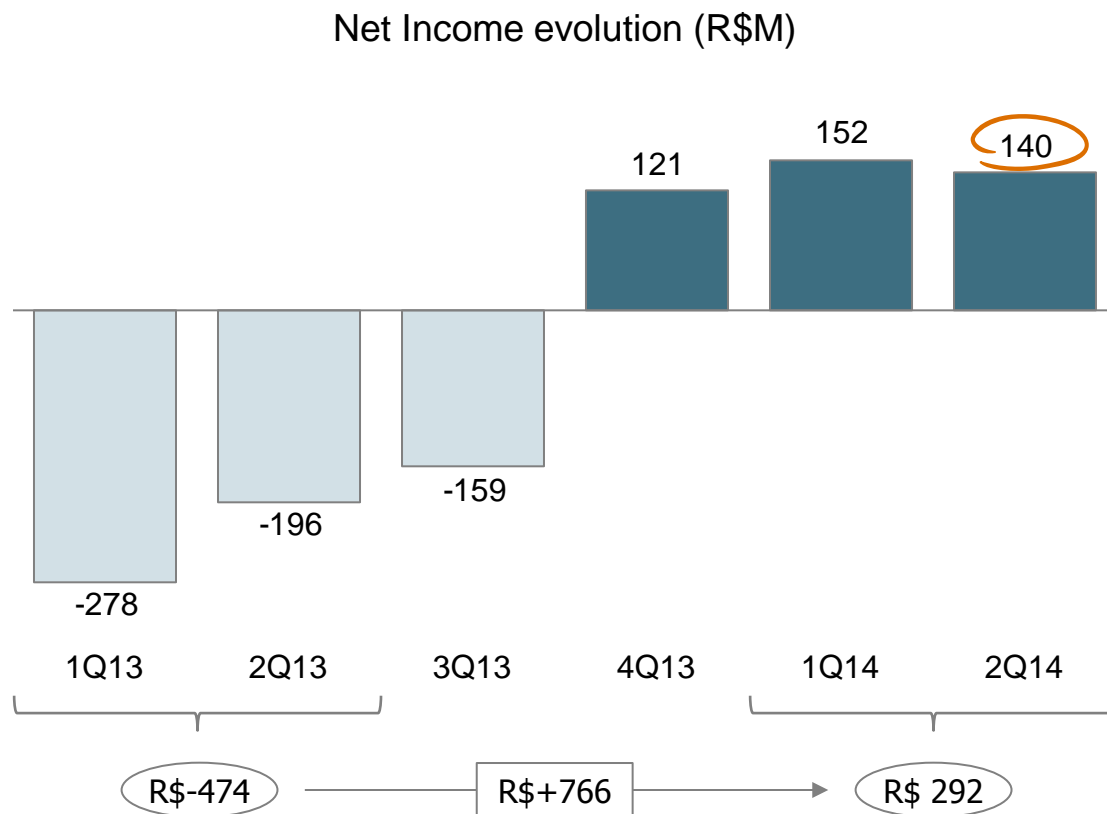
Banco Votorantim – Overview

**2Q14 Results**

Appendix

# Net income of R\$ 140M in 2Q14 and R\$ 292M in the semester

Third consecutive quarter of positive results, with net profit in each of the last nine months



**2014 is the year of profit consolidation and 2015 will be focused on increasing ROE**

# Highlights of 2Q14 results

Increase in Net Interest Income (NII), reduction in ALL expenses, and optimized cost base

## Managerial Income Statement

(R\$ Million)	1Q14	2Q14	Var. 2Q14 /1Q14	1H13	1H14	Var. 1H14 /1H13	
<b>Net Interest Income (A)</b>	1.142	1.197	4,8%	2.235	2.339	4,7%	1
ALL expenses <sup>1</sup> (B)	(714)	(523)	-26,7%	(1.848)	(1.237)	-33,1%	2
<b>Net Financial Margin (A+B)</b>	428	674	57,3%	386	1.102	185,2%	
<b>Operating Income/Expenses</b>	<b>(350)</b>	<b>(510)</b>	<b>45,5%</b>	<b>(1.198)</b>	<b>(860)</b>	<b>-28,2%</b>	
Income from Services and Banking Fees	244	206	-15,7%	491	450	-8,3%	
Personnel Expenses	(345)	(290)	-16,0%	(597)	(634)	6,3%	3
Other Administrative Expenses	(284)	(257)	-9,3%	(718)	(541)	-24,7%	
Despesas Tributárias	(111)	(110)	-0,6%	(257)	(220)	-14,3%	
Other Operating Income/Expenses <sup>2</sup>	144	(59)	-140,9%	(117)	85	-	
<b>Operating Income (Loss)</b>	<b>78</b>	<b>164</b>	<b>110,3%</b>	<b>(811)</b>	<b>242</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>152</b>	<b>140</b>	<b>-7,9%</b>	<b>(474)</b>	<b>292</b>	<b>-</b>	

**In the 2H14, BV will continue working to consolidate net profit**

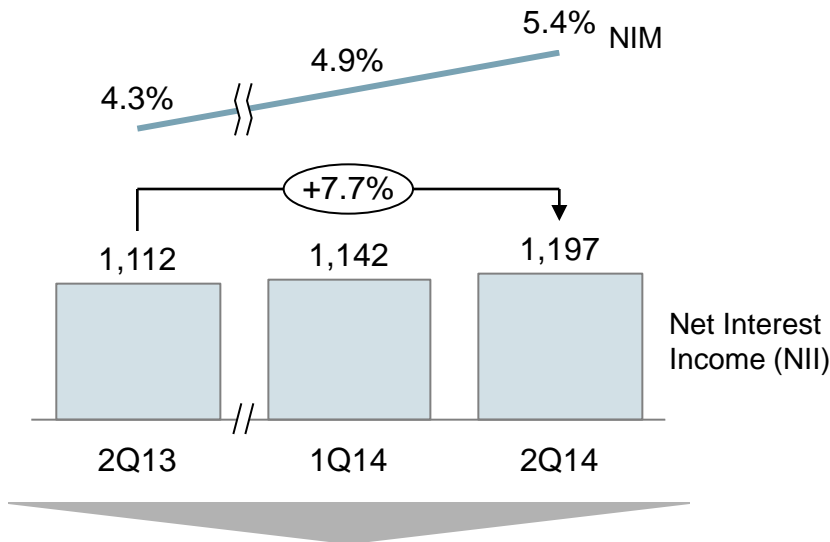
1. Includes expenses related to credit assignments with recourse (both on and off-balance), as well as revenues from write-off recovery; 2. Includes Other Operating Income/Expenses, as well as Equity in Income of Associated Companies and Subsidiaries

# Consistent revenue generation

NIM increased in the last quarters, reflecting the focus on profitability of the portfolio

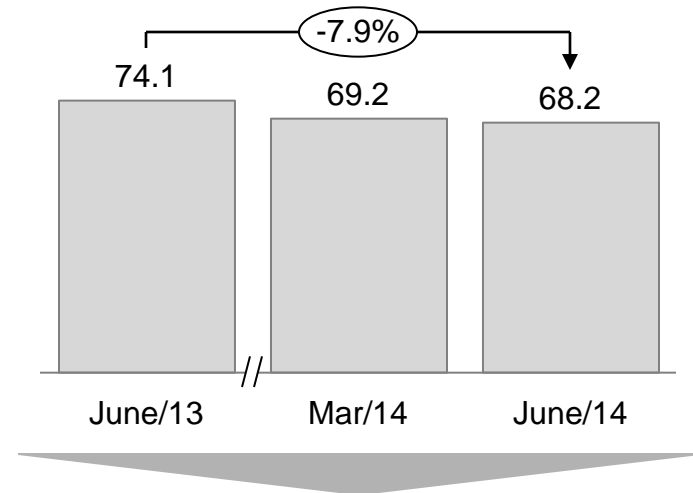
**Net Interest Income expanded 7.7% in 2Q14 compared to 2Q13...**

Net Interest Income (R\$M) and NIM<sup>1</sup> (% p.y.)



**...despite the 7.9% reduction in the expanded credit portfolio in the same period**

Expanded<sup>2</sup> credit portfolio (R\$B)



- Growth of Consumer Finance's loan<sup>3</sup> revenues
- Reduced funding expenses
- Reduction in expenses with prepayment of assignments<sup>4</sup>

- Focus on profitability (vs. growth)
- Disciplined approach to capital usage

1. Ratio between Net Interest Income and Average Interest-Earning Assets; 2. Includes guarantees provided and private securities; 3. Sum of income from loans and from sales or transfer of financial assets; 4. Expenses with the prepayment of credit assignments (before res. 3,533) amounted to R\$42M in 1H14 (R\$158M in 1H13)

# Maintenance of the conservative approach to credit

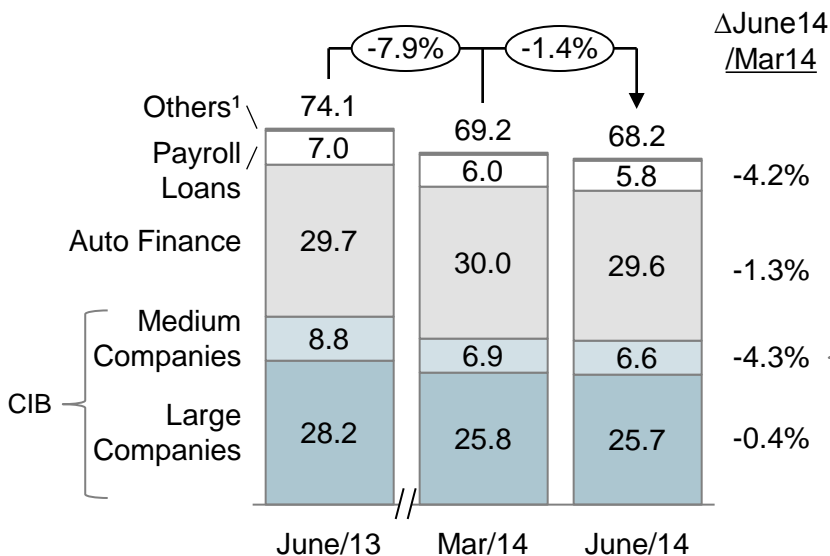
Credit portfolio retraction associated with the focus on business profitability (vs. growth)

**Expanded portfolio (interest-earning) reduced 1.4% compared to Mar/14**

**Reduction in off-balance securitization explains greater drop in managed portfolio**

Expanded credit portfolio (R\$B)

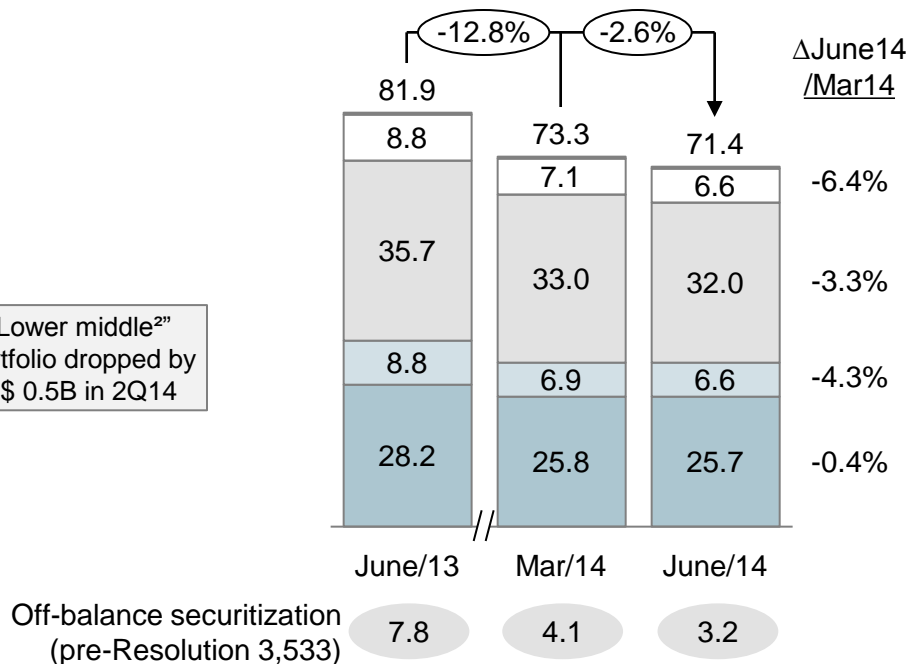
(includes guarantees provided and private securities)



"Lower middle<sup>2</sup>" portfolio dropped by R\$ 0.5B in 2Q14

Expanded managed credit portfolio (R\$B)

(includes off-balance securitization with substantial risk retention)

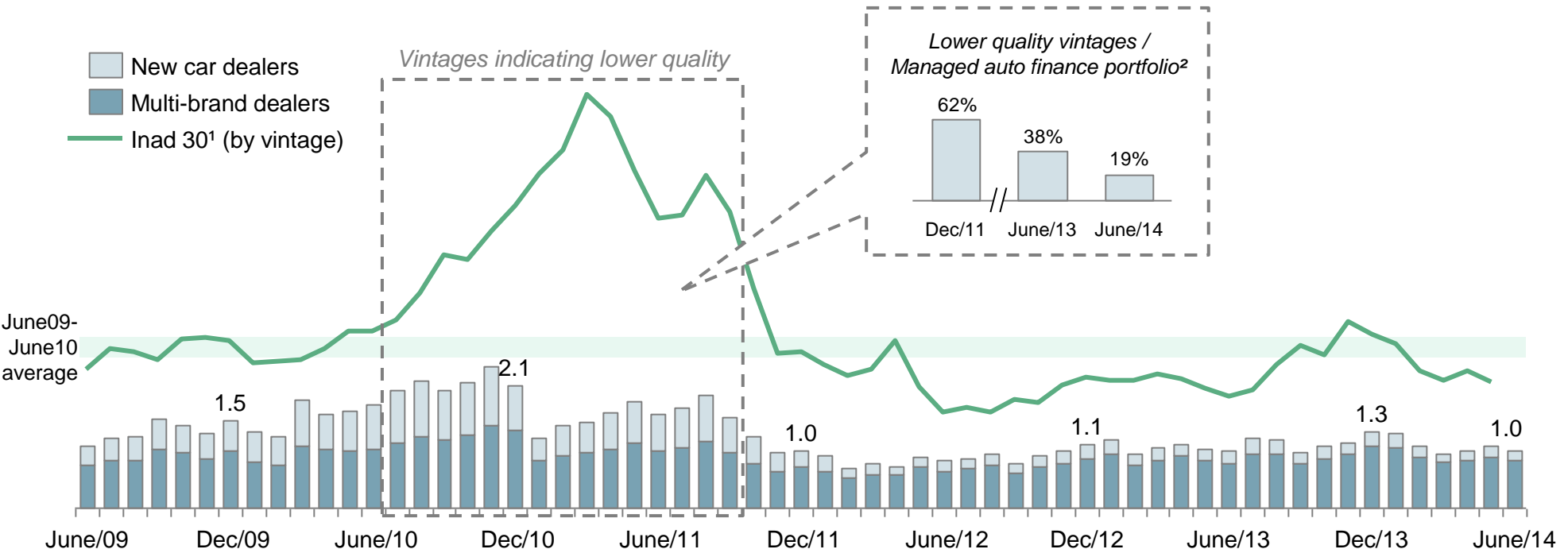


**Net Interest Income increase, despite retraction of the credit portfolio**

1. Credit cards and individual loans; 2. Reduction from R\$ 1.8B in Mar/14 to R\$ 1.3B in June/14

# Auto Finance: BV has been originating quality auto finance for over 30 months, focused on used light vehicles

Light vehicles – Origination by channel (R\$B) and 1<sup>st</sup> payment default<sup>1</sup> (%)



**Growing participation of better quality vintages has contributed to reduce ALL expenses**

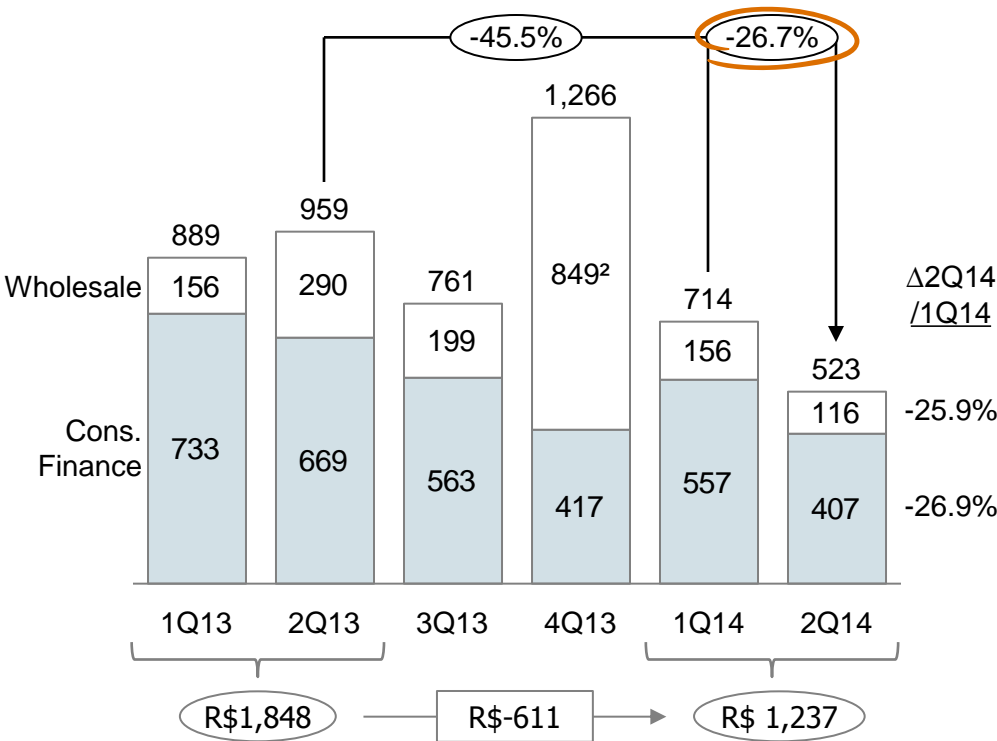
1. % of each month's production with first installments past due over 30 days; 2. Includes securitization with substantial risk retention before Bacen's Res. 3,533

# ALL expenses reduced 26.7% in the 2Q14 / 1Q14 comparison

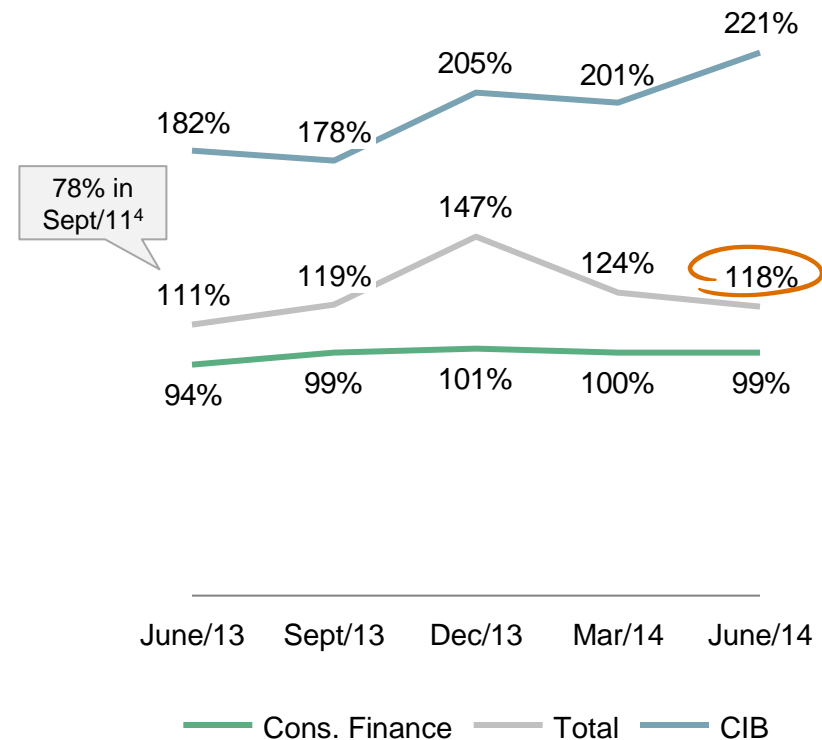
**ALL expenses reduced 45.5% compared to 2Q13 and 26.7%, to 1Q14**

**Coverage Ratio still at an appropriate level, well above Sept/11 (beginning of adjustment)**

Expenses<sup>1</sup> with credit provisions (R\$M)



Managed loan portfolio's 90-day Coverage Ratio<sup>3</sup> (%)



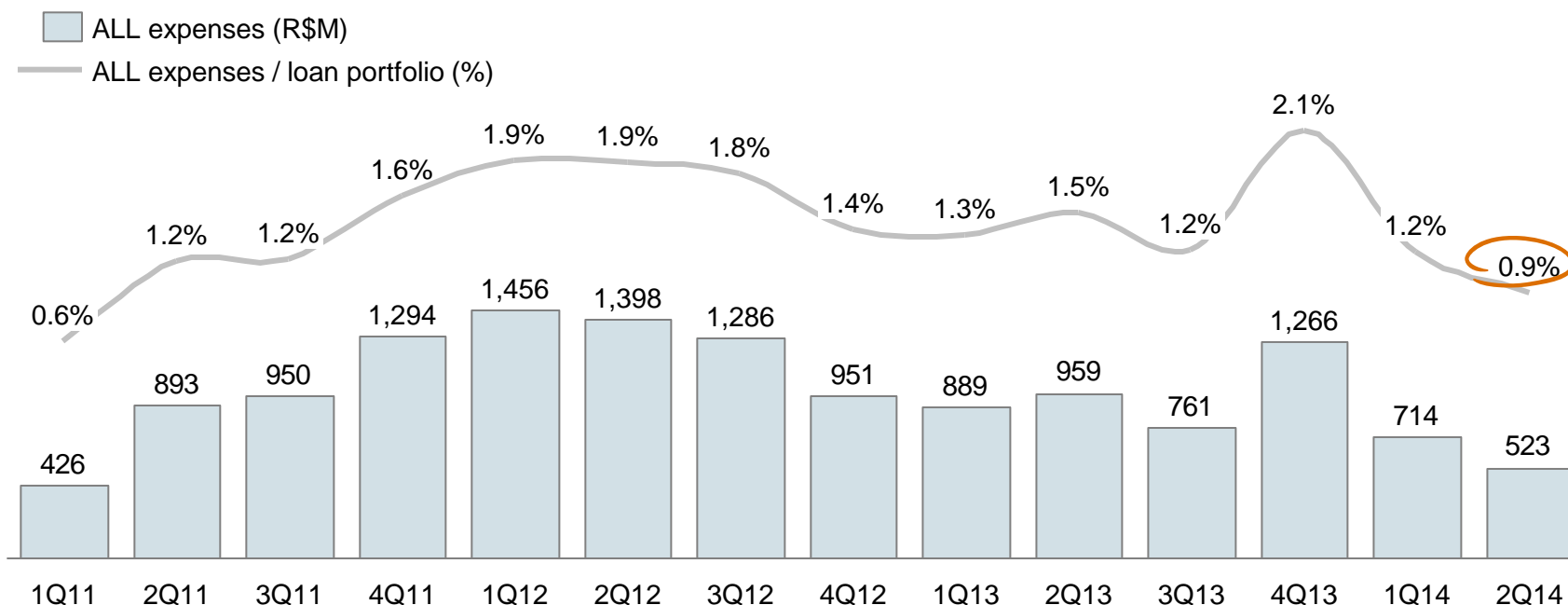
1. Includes expenses related to credit assignments with recourse, as well as revenues from write-off recovery; 2. Includes impact of specific case that was classified in the "G" risk level in June/14, with 90% of provisioning (or R\$ 541M); 3. Ratio between ALL balance and balance of operations past due over 90 days  
 Note: the consolidated and Consumer Finance 90-day Coverage Ratios were 78% and 68%, respectively in Sept/11 (beginning of the adjustment process)



# In 2Q14, ALL expenses were in the lowest level since 1Q11

“ALL expenses / loan portfolio” ratio reduced to 0.9% in 2Q14

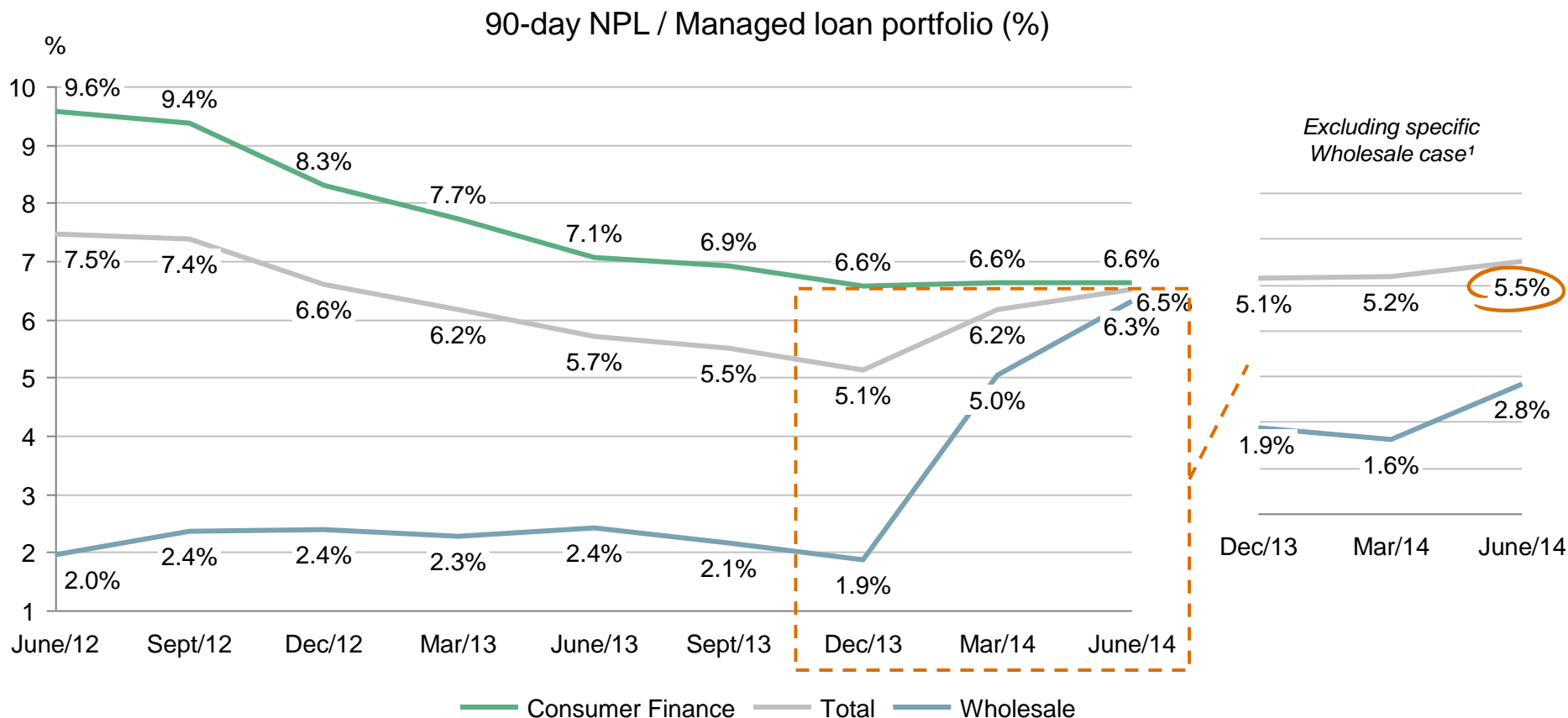
ALL expenses / Managed loan portfolio (%)



Note: Managed loan portfolio includes on-balance portfolio and off-balance credit assignments with recourse (pre-Resolution 3,533)

# Consumer Finance delinquency remained stable in 2Q14

Consolidated 90-day NPL rate impacted by Wholesale cases, previously provisioned

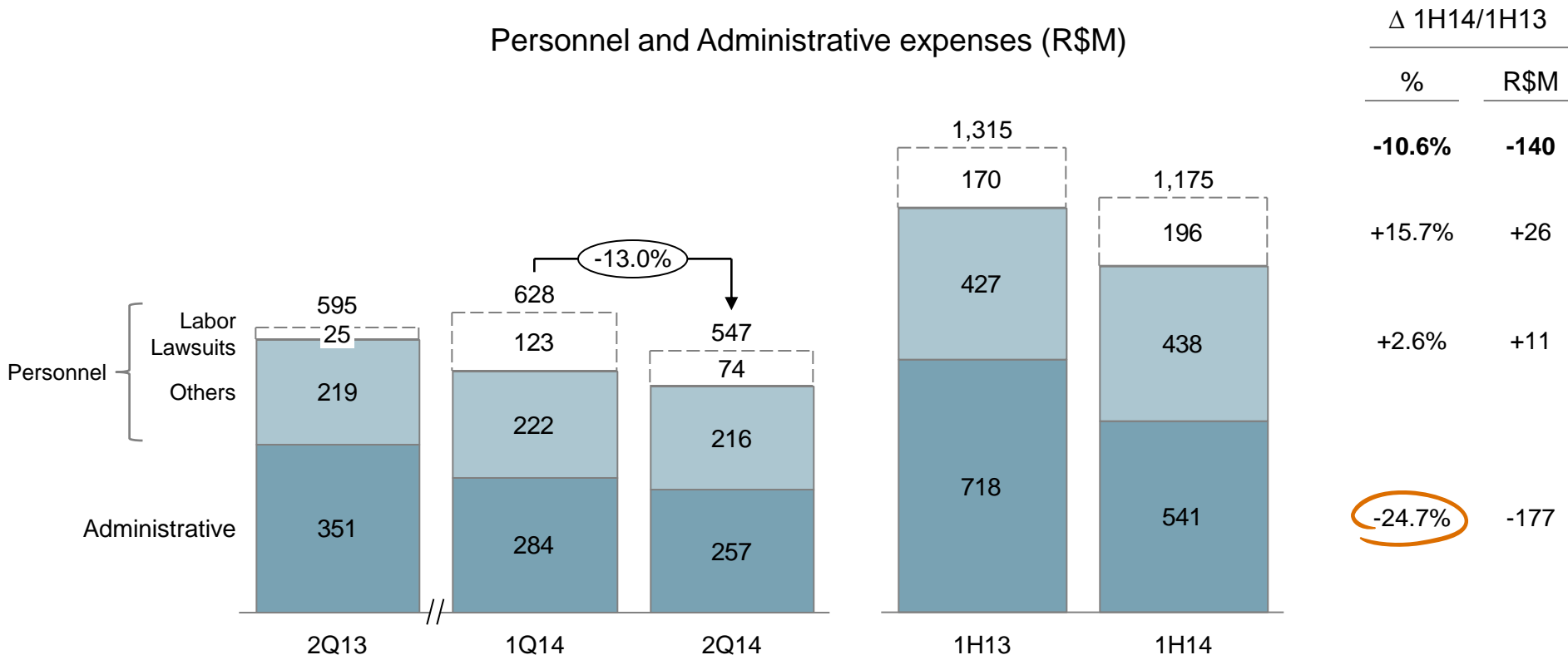


**New delinquency cases in Wholesale were provisioned in previous quarters**

1. Specific case that, by the end of June/14, was classified in the "G" risk level, with 90% of provisioning (R\$ 541M)  
 Note: the % of the Wholesale portfolio classified between AA-C (Resolution 2,682) increased from 83.1% in Mar/14, to 84.1% in June/14

# Reduction in the cost base

Administrative expenses dropped by 24.7% (or R\$ 177M) in the 1H14/1H13 comparison



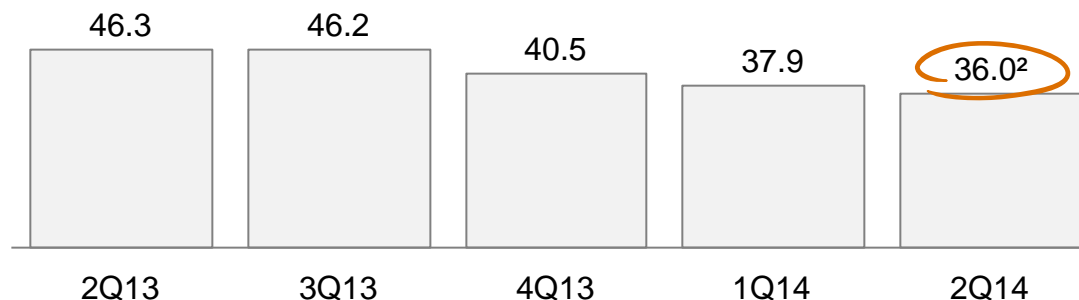
**Cost base reduction has contributed to the improvement of BV's operational efficiency**

Note: in the last 12 months, the inflation rates IPCA and IGP-M reached 6.52% and 6.25%, respectively

# Efficiency Ratio (12 months) reached 36.0% in 2Q14, benefited by the reduction in the cost base

EFFICIENCY RATIO (ER) (R\$ Million)	2Q13	3Q13	4Q13	1Q14	2Q14	Var. 2Q14 /1Q14
<b>Total Personnel<sup>1</sup> and Administrative expenses (A)</b>	570	584	627	506	473	-6.6%
<b>Total Revenues (B)</b>	1,291	1,354	1,859	1,531	1,344	-12.2%
Net Interest Income (NII)	1,112	1,154	1,226	1,142	1,197	4.8%
Fee/Banking Fee Income	253	257	282	244	206	-15.7%
Equity in Income of Associated Companies and Subsidiaries	20	30	35	41	34	-17.6%
Other Operating Income/Expenses	(93)	(86)	315	103	(93)	-190.1%
<b>Efficiency Ratio - quarter (A/B)</b>	44.2%	43.1%	33.8%	33.1%	35.2%	2.1 p.p.
<b>Efficiency Ratio - 12 months</b>	48.3%	46.2%	40.5%	37.9%	36.0%	-1.9 p.p.

Evolution of the Efficiency Ratio – 12 months (%)



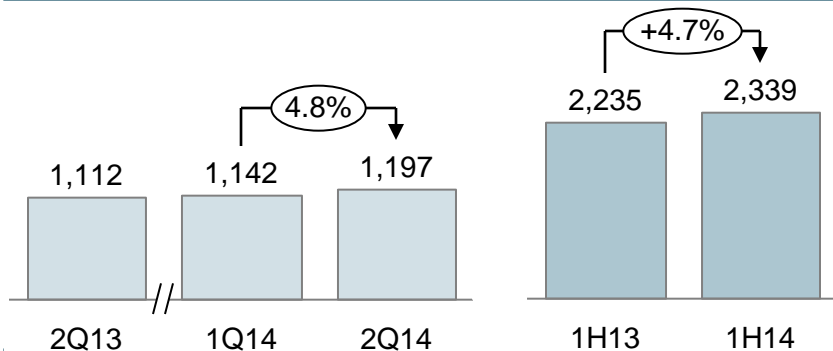
1. Personnel Expenses exclude expenses with Labor Lawsuits; 2. Considering expenses with Labor Lawsuits in the ratio's numerator, 2Q14 Efficiency Ratio (12 months) would be of 40.0%

# Summary: Net income of R\$ 140M in 2Q14

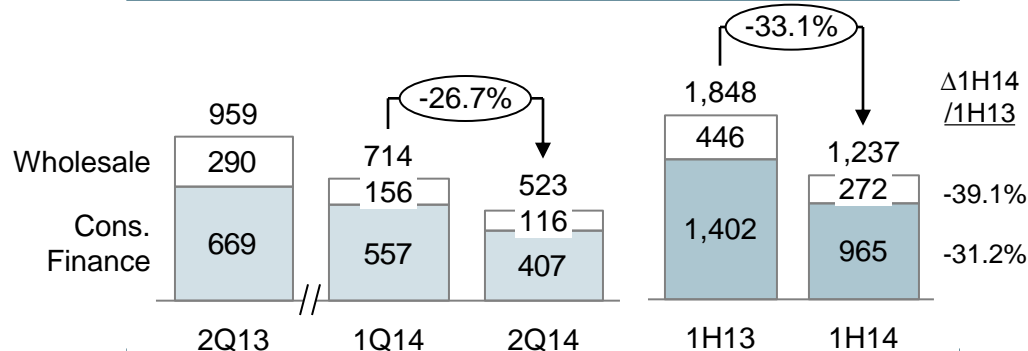
Consistent revenue generation and reduction in both ALL expenses and the cost base

R\$ Million

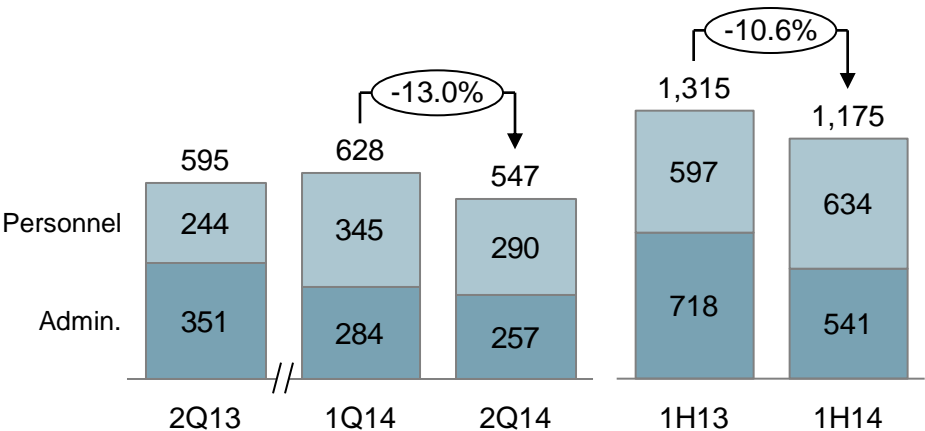
## Net Interest Income (NII)



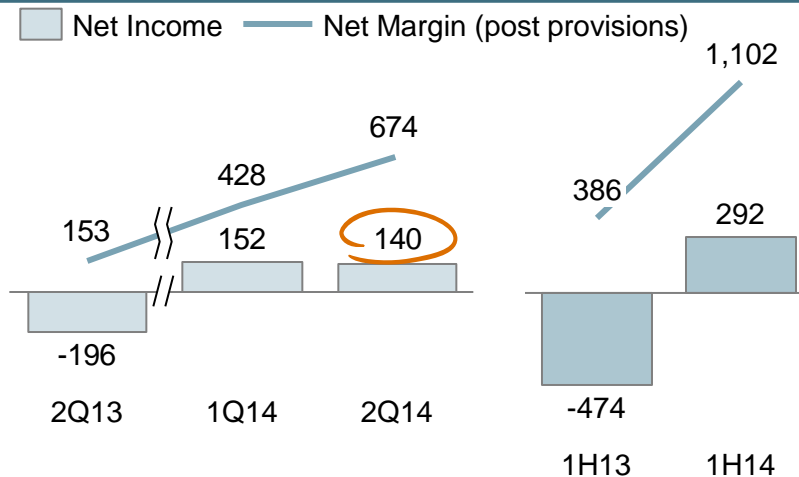
## Expenses with credit provisions (ALL)



## Personnel and Administrative expenses



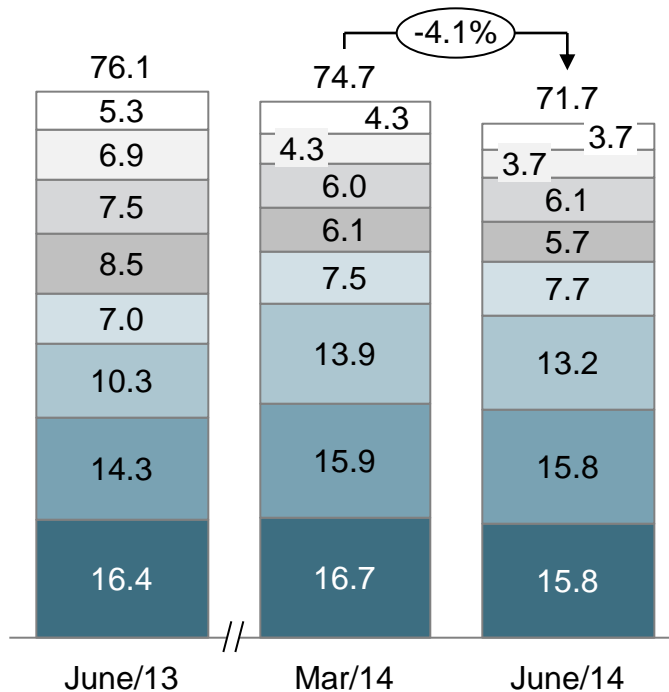
## Net Income and Net Financial Margin



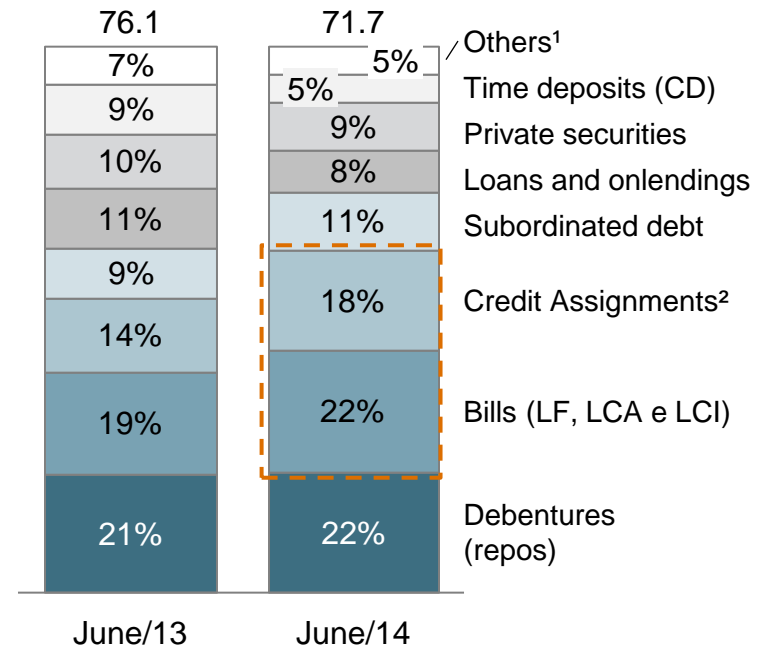
# Funding profile improved over the past 12 months

Bills and Credit Assignments represent 40% of total funding (33% in June/13)

Funding evolution in R\$ billions



Funding evolution in % share



**Additionally, Banco Votorantim has a stand-by credit facility of ~R\$7B from BB, which has never been tapped**

1. Includes other deposits, debenture issuances, and box of options; 2. Credits assigned with substantial risk retention to FIDCs e to other FI, under Res. 3,533 (i.e. does not include off-balance credit assignments) Note: International funding is 100% swapped for BRL

# Basel Ratio ended June/14 in 15.1%

Tier I Capital of 9.9% by the end of 2Q14, composed entirely by Common Equity

BASEL RATIO (R\$ Million)	June/13	Mar/14	June/14
<b>Total Capital</b>	<b>10,793</b>	<b>10,770</b>	<b>11,052</b>
Tier I Capital	7,400	7,029	7,256
Common Equity Tier I	7,400	7,029	7,256
Additional Tier I	-	-	-
Tier II Capital	3,393	3,741	3,796
<b>Risk Wighted Assets (RWA)</b>	<b>77,653</b>	<b>74,299</b>	<b>73,119</b>
Credit risk	72,654	68,624	66,709
Market risk	2,435	1,513	2,248
Operational risk	2,565	4,162	4,162
<b>Minimum Capital Requirement</b>	<b>8,542</b>	<b>8,173</b>	<b>8,043</b>
<b>Basel Ratio (Capital/RWA)</b>	<b>13.9%</b>	<b>14.5%</b>	<b>15.1%</b>
Tier I Capital Ratio	9.5%	9.5%	9.9%
Common Equity Tier I Ratio	-	9.5%	9.9%
Additional Tier I Ratio	-	-	-
Tier II Capital Ratio	4.4%	5.0%	5.2%

# Agenda

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Banco Votorantim – Overview

2Q14 Results

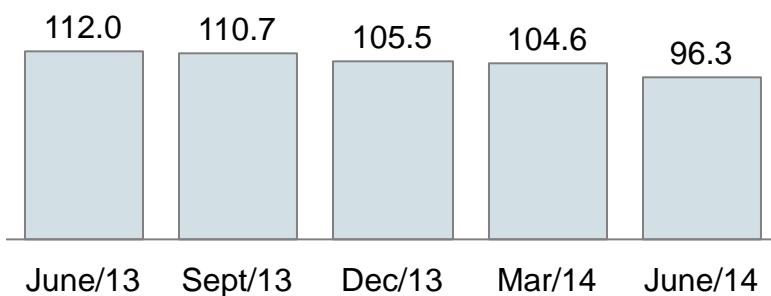
**Appendix**



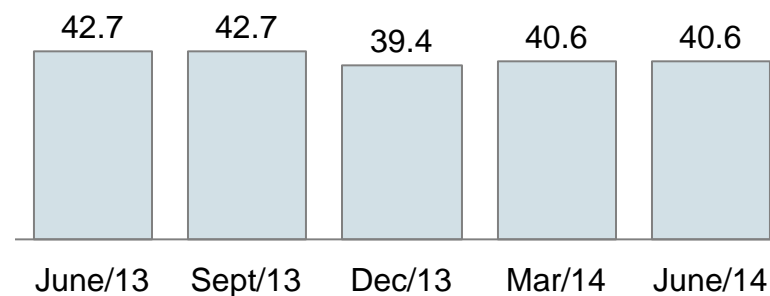
# Financial highlights

R\$ billion

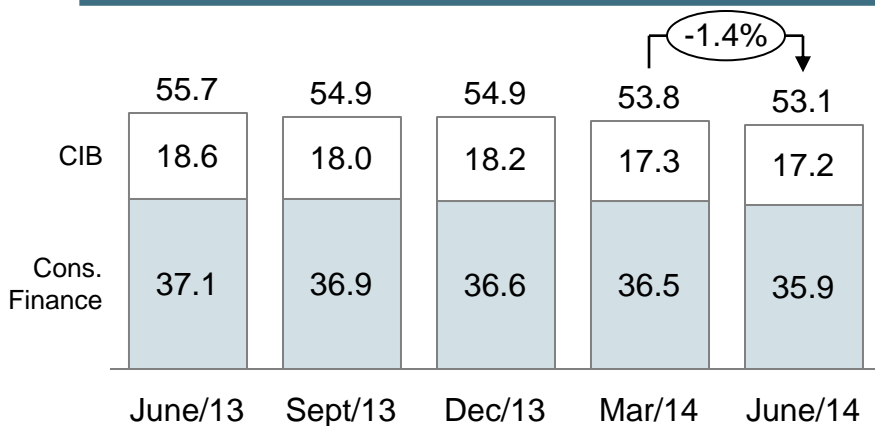
## Total Assets



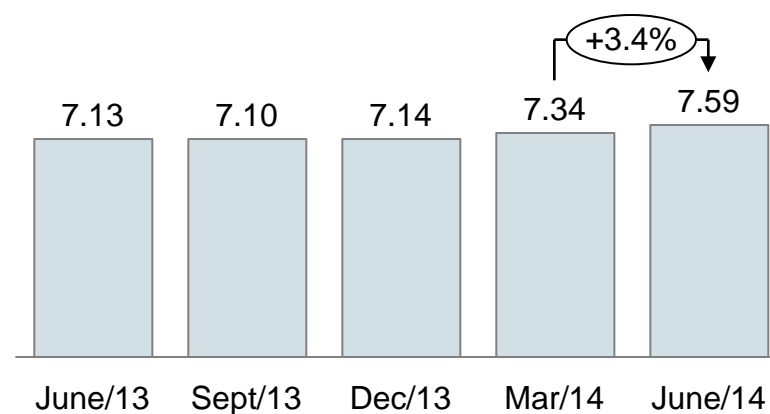
## Assets under Management<sup>1</sup>



## On-balance loan portfolio



## Shareholders' Equity



1. Includes onshore funds (ANBIMA criteria) and private clients resources

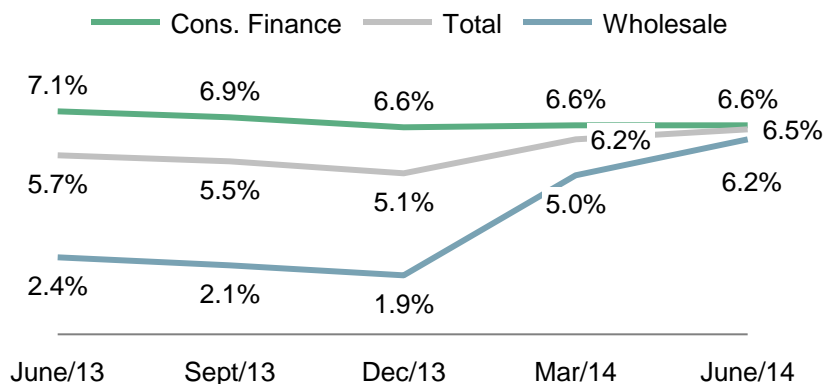
# Net Interest Margin (NIM)

NET INTEREST MARGIN (NIM) (R\$ Million)	2Q13	1Q14	2Q14	Var. 2Q14 /1Q14	1H13	1H14	Var. 1H14 /1H13
Net Interest Income (A)	1,112	1,142	1,197	4.8%	2,235	2,339	4.7%
Average Interest-Earning Assets (B)	105,840	95,872	91,065	-5.0%	107,284	93,380	-13.0%
Compulsory Reserves (Bacen)	491	94	62	-34.0%	720	84	-88.3%
Interbanks Funds Applied	15,492	11,860	9,287	-21.7%	15,915	10,093	-36.6%
Securities	33,719	29,568	28,283	-4.3%	34,239	29,285	-14.5%
Loan Portfolio	56,138	54,350	53,433	-1.7%	56,410	53,918	-4.4%
NIM (A/B) - quarter	4.3%	4.9%	5.4%	0.5 p.p.	4.2%	5.1%	0.9 p.p.

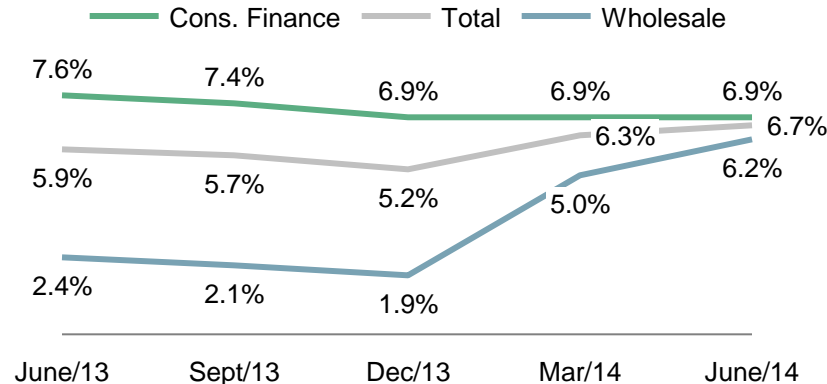
NIM evolution in last quarters reflects the focus on profitability (vs. growth) and the improved asset quality

# Credit quality indicators

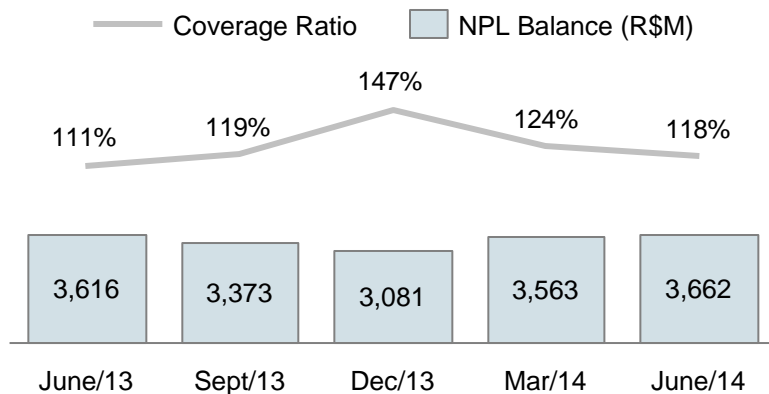
### NPL 90 / Managed loan portfolio (%)



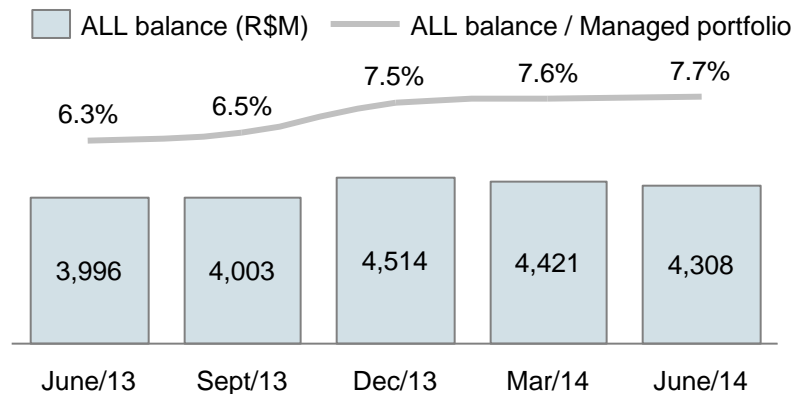
### NPL 90 / Credit loan portfolio (%)



### 90-day Coverage ratio<sup>1</sup> (%)



### ALL Balance (R\$M)



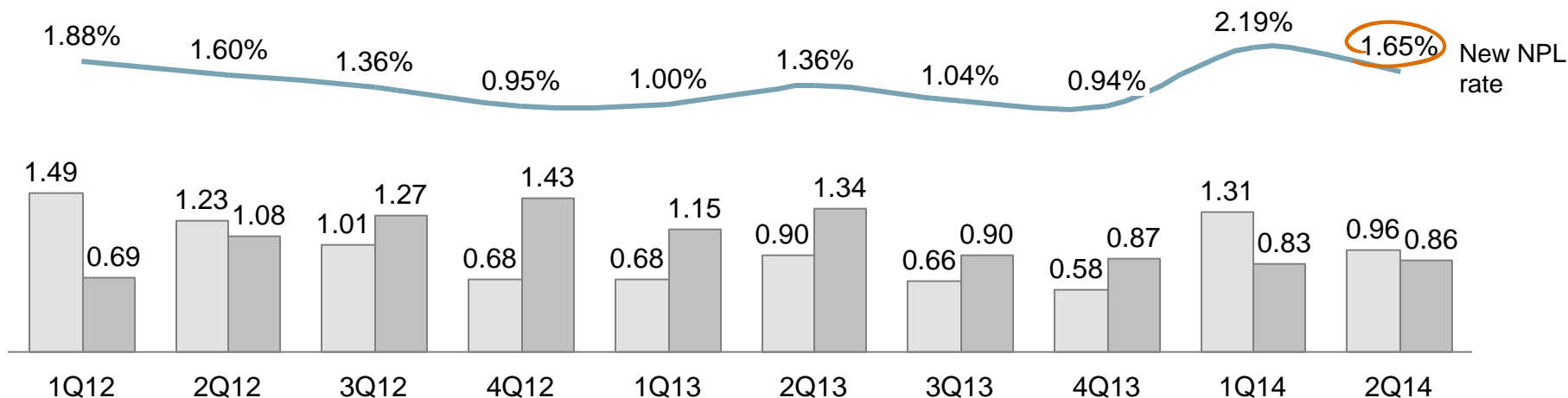
1. Ratio between ALL balance and balance of operations past due over 90 days

Note: refers to managed loan portfolio (includes credits assigned with substantial risk retention until Dec/11 (before Res. 3,533))

# New NPL rate

NEW NPL (R\$ Million)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Managed Loan Portfolio (A)	76,775	74,185	71,481	68,169	65,923	63,546	61,281	60,006	57,925	56,273
NPL 90 Balance	5,390	5,539	5,276	4,520	4,056	3,616	3,373	3,081	3,563	3,662
NPL 90 Quarterly Variation (B)	793	149	(262)	(756)	(465)	(439)	(244)	(292)	482	99
Write-off (C)	693	1,079	1,269	1,439	1,144	1,339	902	869	832	860
New NPL (D=B+C)	1,486	1,228	1,007	683	680	900	659	578	1,314	959
New NPL Rate <sup>1</sup> (D/A)	1.88%	1.60%	1.36%	0.95%	1.00%	1.36%	1.04%	0.94%	2.19%	1.65%

New NPL (R\$B)  
 Write-off (R\$B)



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

2. Specific case that was classified in the "G" risk level in June/14, with 90% of provisioning (or R\$ 541M)

# Banco Votorantim's main ratings

RATING AGENCIES	International				National	
	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term
<b>Fitch Ratings</b>	Local Currency		Foreign Currency		National	
	BBB-	F3	BBB-	F3	AA+(bra)	F1+(bra)
<b>Moody's</b>	Local Currency Deposits		Foreign Currency Deposits		National	
	Baa2	P-2	Baa2	P-2	Aaa.Br	BR-1
<b>Standard &amp; Poor's</b>	Local Currency		Foreign Currency		National	
	BB+	B	BB+	B	brAA+	braA-1

**Banco Votorantim is rated Investment Grade by Fitch & Moody's**

Note: in Mar/14, S&P downgraded Brazil's sovereign rating from "BBB" to "BBB-". Next, S&P revised Brazil's BICRA (*Banking Industry Country Risk Assessment*) from "4" to "5", which impacted the ratings of several financial institutions. In May/14, S&P revised Banco Votorantim's rating from "BBB-" to "BB+", with a stable outlook)