

**São Paulo, February 21, 2013.** Banco Votorantim S.A. ("Banco Votorantim") announces its results for the fourth quarter of 2012 (4Q12) and for the year of 2012. All financial information herein, except where indicated otherwise, is presented in nominal Brazilian Reals, based on consolidated numbers, and in accordance with the Brazilian GAAP (BRGAAP) accounting standards and the Brazilian Corporate Law.

### **Message from the CEO**

In 2012, the financial industry faced an environment of important regulatory changes, slowdown of the economic activity and high delinquency - especially in the auto finance segment – in addition to a drop in interest rates, spreads and tariffs.

Even in this challenging scenario, we assured important advances in our Change Agenda, started in 4Q11, especially:

- **Excellent quality of Consumer Finance production after Sept.11.** The improvement of credit policies, processes and models resulted in an auto finance origination with record quality during 2012. In view of the excellent quality of the new vintages, we gradually increased the origination volume – under strict criteria for credit granting – and closed 4Q12 in a leading position in the used auto finance market, with a market share around 20%.
- **Consistent drop in delinquency<sup>1</sup> ("90-day NPL") of the Consumer Finance loan portfolio.** Auto finance operations with excellent quality (vintages after Sept.11) already represent around 40% of the managed loan portfolio (~10% in Dec.11), contributing to the reduction of light vehicles delinquency to 7.7% in Dec.12, against 9.1% in Sept.12. The consolidated 90-day NPL, by its turn, reached 6.6% in Dec.12, versus 7.4% in Sept.12.
- **New reduction of the allowance for loan losses (ALL) expenses.** A 34% reduction (or R\$397 million) in allowance for loan losses expenses of Consumer Finance in 4Q12 compared to 3Q12 – third consecutive quarterly reduction. This new reduction confirmed our expectation, previously advised to the market, of a substantial drop in allowance for loan losses expenses in 4Q12. Even more significant, it is to note that this strong decrease in allowance for loan losses expenses occurred in conjunction with a new increase in the coverage ratio (balance of loan losses provisions / 90-day NPL balance), accordingly anticipated to the market. The consolidated coverage ratio reached 99.9% in Dec.12, compared to 93.1% in Sept.12 and 80.0% in Dec.11; and
- **Continuous improvement of governance and efficiency gains.** Besides acting for the improvement of internal controls, several important initiatives were implemented in the last months to reduce costs and search for greater operational efficiency, which should be translated into a reduction in the cost base for 2013.

These important achievements in our Change Agenda were also accompanied by significant advances in all of our main businesses in 2012. In addition to substantial improvements in the Consumer Finance business, indicated above, impressive results were obtained in the Wholesale business, with 12% growth in Net Interest Income and 10% in Fee Income, mainly in the operations of Corporate & Investment Banking and Treasury. The Middle Market segment faced an unfavorable scenario, as in effect of the lower growth in the economy, but, in spite of that, was able to expand its loan portfolio and keep the delinquency under control.

Wealth Management maintained its path of profitable growth, developing innovative products and exploring synergies with the shareholder Banco do Brasil (BB). Votorantim Asset Management consolidated itself as the 9<sup>th</sup> largest asset manager of the Brazilian market with more than R\$ 47 billion of managed funds, growth of 10% in 2012. The focus on estate planning of our Private Bank operations also allowed an 11% growth of assets under management for the year.

1. Refers to operations past due over 90 days

The combination of this strong operating performance of the business areas and the significant reduction in ALL expenses, allowed Banco Votorantim back to reporting positive Net Financial Margin in 4Q12 (R\$205 million, against R\$ -166 million in 3Q12), for the first time since the beginning of the adjustment process, in 4Q11.

All these advances in the Change Agenda are creating the conditions that will enable us to resume growth with profitability. However, as previously anticipated to the market, our 4Q12 results were still impacted by the following factors:

- Delinquency in the auto finance portfolios originated from Jul.10 to Sept.11, which have a lower quality than the historical average, and still represent 47% of the auto finance portfolio (62% in Dec.11);
- The entry into force of Resolution 3,533/Bacen, which changed the credit assignment market rules, impacting the revenues of the banks operating in that market;
- A 45% reduction in the volume originated by Consumer Finance in 2012 (vs. 2011) to ensure quality and profitability of the new vintages. This reduction, in addition to impacting the revenues, was followed by a restructuring process that generated non-recurring expenses with contingencies; and
- Gradual raise of the coverage ratio in the Consumer Finance managed portfolio.

Even in view of those factors, the consolidated results showed a new improvement in relation to the previous quarter (R\$-358 million in 4Q12; R\$-497 million in 3Q12), confirming once again the trend of progressive advance in the results.

Additionally, in this quarter we continued to strengthen the quality of our credit risk by adopting conservative policies in Liquidity, Funding and Capital management. We ended 2012 with a Basel Ratio of 14.3% (14.1% in Dec.11). Our shareholders, Banco do Brasil and Votorantim Finanças, remain committed to maintain Banco Votorantim's capitalization at appropriate levels, as set out in the Shareholders' Agreement.

In 2013, we will continue advancing in all fronts of our Change Agenda to accomplish the adjustment process and resume growth with profitability on a sustainable manner. In the short-term, as previously disclosed to the market, our results will continue impacted by the same factors that affected 2012. However, the success already shown in implementing the Change Agenda in 2012 indicates that 2013 will be a year of substantially better results.

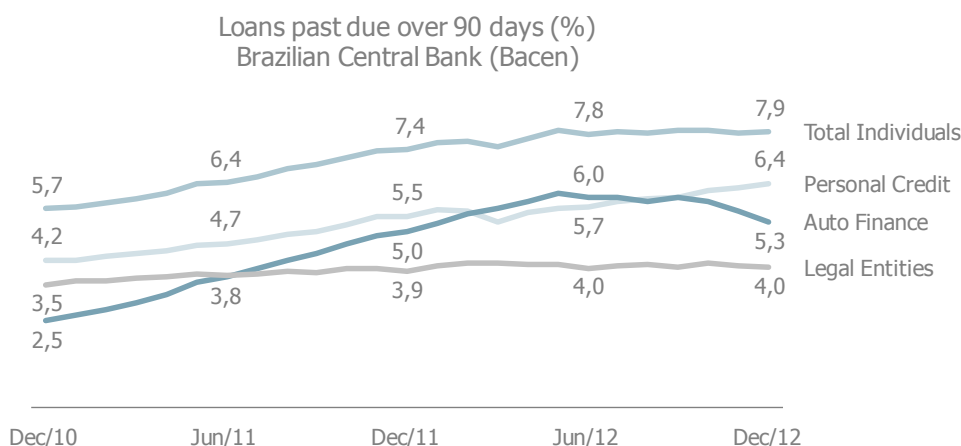
## Economic Environment and Banking Sector

2012 was a year characterized by the breach of expectations regarding economy expansion. Although growth projections for the Brazilian GDP early in 2012 considered annual growth above 3%, the results achieved were below the expectations and the expansion should be about 1%.

The unsteady international context was a major factor in that outcome. Major unresolved issues during the year contributed to keep the high uncertainty level in the macroeconomic scenario, affecting the confidence of economic agents and affecting consumption and investments. The European debt crisis raised doubts regarding the continuity of the Euro Zone with all its 17 member countries. The slowdown of the Chinese economy is still unclear as to its intensity and amplitude. In the US, the difficulties for a political agreement regarding the so-called "fiscal cliff", did not allow an assessment of the fiscal squeeze that would be faced by that country.

In Brazil, although unemployment continues near historical minimum levels and personal income averages have risen, following the significant adjustments in the minimum wages, there was an increase in the commitment of family monthly income.

In that context, both corporate and individual delinquency levels, which initially were expected to have decreases over the second half of the year, if the economy could have a more intense recovery, continued at high levels. Total delinquency of legal entities, which in Dec.11 was at 3.9%, went up to 4.0% in Dec.12. In turn, the total delinquency of individuals went up from 7.4% in Dec.11 to 7.9% in Dec.12. It is important to highlight that the delinquency in the auto finance segment, which reached its maximum historical level of 6.1% in May.12, has already started a movement towards reduction over the last few months, and closed 2012 at 5.3%.



For 2013, tax, monetary and credit incentives already launched by the Government to stimulate the economy, plus the new decisions to stimulate investments and competitiveness of Brazilian products, and the new trend for growth of the Chinese and US economies, allow us to estimate that Brazil will grow about 3.3%. That will serve as support for better financing conditions, so that delinquency levels make the reduction expectation come true during the year.

| FORECASTS                                      | 2013 | 2014 |
|--|------|------|
| Dollar exchange rate - end of the period (R\$) | 2.10 | 2.20 |
| IPCA - in the period (%)                       | 5.50 | 5.00 |
| IGP-M - in the period (%)                      | 5.00 | 5.00 |
| Selic rate - end of the period (annual %)      | 7.25 | 7.25 |
| GDP (%)  | 3.30 | 4.00 |

Source: Economy Department - Banco Votorantim

## Corporate Strategy

Banco Votorantim aims to consolidate its position among the three main national privately-held banks recognized for guidance in serving its clients and partners in a sustainable manner and with long-term relationships, leveraging synergies with BB. For such, the Bank has a diversified business portfolio, internally classified into Wholesale and Consumer Finance.

Wholesale is constituted of three major businesses with well-established objectives:

- **Corporate & Investment Banking (CIB):** to be one of the main partner banks for its clients, focused on long-term relationships. CIB seeks to offer integrated financial credit solutions, structured products and investment bank services, always adapted to the needs of its clients. Positioned among the market leaders in lending to large companies (i.e. with annual revenues above R\$400 million), CIB has increasing its relevance for the clients by strengthening its platform of high value-added products - structured products, derivatives (hedging), investment banking services (ECM, DCM and M&A) and local and international distribution.
- **Middle Market:** to grow with quality in the segment of medium sized companies (i.e. with annual revenues between R\$50 million and R\$400 million), with gains of scale, efficiency and profitability. Middle Market focuses on relationship and operational agility to better serve its clients. Additionally, has expanded its offer of products and services, also leveraging the product platform and distribution of the CIB segment.
- **Wealth Management (VWM&S):** Developing and providing, in a sustainable manner, the best solution for asset management, is part of VWM&S's mission, which can be observed in the objectives established for the two different markets where it operates:
  - Asset Management: To be recognized for its consistent performance and for developing solutions appropriate to the client's needs by means of its capacity for innovation 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 retail structure) and has been expanding its partnership with BB in the development, administration, management and distribution of innovating and customized investment funds.
  - Private Bank: consolidating its position among the five best private banks in the market, by expanding its operations in integrated estate planning by means of unique solutions.

In Consumer Finance, Banco Votorantim is one of the market leaders, focused on the auto finance industry and payroll loans. The objectives of the Consumer Finance businesses are:

- **Auto Finance:** to remain among the leaders in auto finance through BV Financeira, which operates as an extension of BB in auto finance outside the branch network. For origination to its own loan portfolio, BV Financeira concentrates on multi-brand dealers (used vehicles), in which it has a history of leadership and recognized expertise. For origination to BB, in turn, in 2013 a model should be implemented for the direct originating of credit assets to BB, internally called "BV Originadora – BVO", which will be focused on new car dealers and BB clients.
- **Payroll Loans:** to maintain a relevant position in the payroll loan market, with focus on the National Institute of Social Security - INSS (i.e. retired or pension recipients), which present a better risk profile. In the public and private payroll loans, the strategy is to operate through agreements presenting an attractive profitability. In addition, BV Financeira has been expanding its fee income by managing a network of sales promoters, who offer this product at Banco do Brasil branches, and the production is recorded directly in BB's balance sheet and BV Financeira receives a fee for the originated volume.
- **Other businesses:** continue to grow organically in credit cards and to boost insurance brokerage revenues (e.g.: auto insurance and credit insurance).

Over the next few years, the Bank's business portfolio should reach full maturity, with the strengthening of Corporate & Investment Banking, the expansion and consolidation of Middle Market, the continuous growth of Wealth Management and the transition to a new consumer finance model, always deepening the partnership with the shareholder BB.

## Key Information

The tables below highlight the evolution of the main information on Banco Votorantim:

|   | 4Q11    | 3Q12    | 4Q12    | 2011         | 2012        | Variation % |            |
|---|---------|---------|---------|--------------|-------------|-------------|------------|
|   |         |         |         |              |             | 4Q12/3Q12   | 2012/2011  |
| <b>RESULTS (R\$ Million)</b>  |         |         |         |              |             |             |            |
| Net Interest Income (a)   | 902     | 1,120   | 1,156   | 5,142        | 4,511       | 3.2%        | -12.3%     |
| Allowance for loan losses - ALL (b)                                 | (1,294) | (1,286) | (951)   | (3,507)      | (5,092)     | -26.0%      | 45.2%      |
| Net Financial Margin (a - b)  | (392)   | (166)   | 205     | 1,634        | (580)       | -223.6%     | -135.5%    |
| Fee income/ Banking fees income                                     | 288     | 256     | 286     | 1,247        | 1,035       | 11.7%       | -17.0%     |
| Administrative and personnel expenses                               | (642)   | (615)   | (721)   | (2,404)      | (2,550)     | 17.2%       | 6.1%       |
| Operating income (Loss)   | (1,060) | (794)   | (507)   | (398)        | (3,085)     | -36.2%      | -          |
| Net income (Loss)   | (643)   | (497)   | (358)   | (187)        | (1,988)     | -28.0%      | -          |
| <b>MANAGEMENT INDICATORS (%)</b>                                    |         |         |         |              |             |             |            |
| Return on Average Equity <sup>1</sup> (ROAE)                        | (27.6)  | (20.2)  | (15.8)  | (2.2)        | (23.8)      | 4.4 p.p.    | -21.6 p.p. |
| Return on Average Assets <sup>2</sup> (ROAA)                        | (2.2)   | (1.8)   | (1.2)   | (0.2)        | (1.7)       | 0.5 p.p.    | -1.6 p.p.  |
| Net Interest Margin <sup>3</sup> (NIM)                              | 3.3     | 4.4     | 4.4     | 4.8          | 4.2         | 0.0 p.p.    | -0.5 p.p.  |
| Efficiency Ratio (ER) - accumulated basis of 12 months <sup>4</sup> | 39.2    | 52.4    | 51.0    | 39.2         | 51.0        | -1.3 p.p.   | 11.9 p.p.  |
| Basel Ratio   | 14.1    | 15.2    | 14.3    | 14.1         | 14.3        | -0.9 p.p.   | 0,2 p.p.   |
| <b>MACROECONOMIC INDICATORS<sup>5</sup></b>                         |         |         |         |              |             |             |            |
| CDI - in the period (%)   | 2.7     | 1.9     | 1.7     | 11.6         | 8.4         | -0.2 p.p.   | -3.2 p.p.  |
| Selic rate - end of the period benchmark (annual %)                 | 11.00   | 7.50    | 7.25    | 11.00        | 7.25        | -0.3 p.p.   | -3.8 p.p.  |
| IPCA - in the period (%)  | 1.5     | 1.4     | 2.0     | 6.5          | 5.8         | 0.6 p.p.    | -0.7 p.p.  |
| Dollar exchange rate - end of the period (R\$)                      | 1.88    | 2.03    | 2.04    | 1.88         | 2.04        | 0.6%        | 8.9%       |
| EMBI Brazil Risk (points)   | 225     | 162     | 140     | 225          | 140         | -13.6%      | -37.8%     |
|   | Dec.11  | Sept.12 | Dec.12  | Variation %  |             |             |            |
|   |         |         |         | Dec12/Sept12 | Dec12/Dec11 |             |            |
| <b>BALANCE SHEET (R\$ Million)</b>                                  |         |         |         |              |             |             |            |
| Total assets  | 111,851 | 111,559 | 121,037 | 8.5%         | 8.2%        |             |            |
| Loan portfolio  | 58,726  | 58,079  | 56,955  | -1.9%        | -3.0%       |             |            |
| Wholesale segment   | 20,916  | 20,266  | 19,531  | -3.6%        | -6.6%       |             |            |
| Consumer Finance segment  | 37,810  | 37,812  | 37,424  | -1.0%        | -1.0%       |             |            |
| Guarantees provided   | 11,859  | 12,592  | 12,903  | 2.5%         | 8.8%        |             |            |
| Credit assignments with recourse <sup>6</sup>                       | 15,360  | 10,494  | 10,923  | 4.1%         | -28.9%      |             |            |
| Credit assignments to FIDCs <sup>6,7</sup>                          | 5,182   | 3,732   | 3,490   | -6.5%        | -32.7%      |             |            |
| Funding sources   | 85,828  | 78,079  | 77,232  | -1.1%        | -10.0%      |             |            |
| Shareholders' equity  | 7,824   | 8,829   | 8,210   | -7.0%        | 4.9%        |             |            |
| Capital (Basel Ratio)   | 12,054  | 13,002  | 12,111  | -6.9%        | 0.5%        |             |            |
| <b>LOAN PORTFOLIO QUALITY INDICATORS<sup>8</sup> (%)</b>            |         |         |         |              |             |             |            |
| 90-day NPL <sup>9</sup> / Loan portfolio                            | 5.8%    | 7.4%    | 6.6%    | -0.8 p.p.    | 0.8 p.p.    |             |            |
| E-H NPL <sup>10</sup> / Loan portfolio                              | 4.5%    | 6.5%    | 6.0%    | -0.5 p.p.    | 1.5 p.p.    |             |            |
| Allowance for loan losses / E-H NPL                                 | 104%    | 106%    | 110%    | 3.8 p.p.     | 6.2 p.p.    |             |            |
| Allowance for loan losses / 90-day NPL                              | 80%     | 93%     | 100%    | 6.8 p.p.     | 20.0 p.p.   |             |            |
| Allowance for loan losses / Loan portfolio                          | 4.6%    | 6.9%    | 6.6%    | -0.3 p.p.    | 2.0 p.p.    |             |            |
| <b>OTHER INFORMATION</b>  |         |         |         |              |             |             |            |
| AuM (R\$ Million)   | 42,985  | 45,557  | 47,315  | 3.9%         | 10.1%       |             |            |

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 + other operational income and expenses + fiscal hedge adjustment);

5. Source: Cetip; Bacen; IBGE;

6. Includes on balance and off balance assets;

7. Investment funds in credit rights in which Banco Votorantim holds 100% of subordinated quotas;

8. Includes credit assignments and FIDCs;

9. Not considering off balance credit assignments to FIDCs;

10. According to Resolution 2,682/Bacen.



## Managerial Income Statement

As of 2Q12, with the objective of allowing better analysis and comparability of results, the explanations of the result will be based on the Managerial Income Statement, which considers reclassifications made in the audited income statement. Basically, the managerial adjustments refer to:

- Foreign exchange variations of overseas investments, which are recorded in Other Operating Income (Expenses) and were reallocated to Derivative Financial Instruments, as well as the fiscal and tax effects of the hedging strategy of overseas 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; and
- Expenses with loan losses provisions referring to the portfolios assigned with recourse and Revenues from recovery of loans written off as to loss, both recorded in Loans and reallocated to Allowance for Loan Losses.

The management strategy of the foreign exchange risk of capital invested abroad is intended to disallow effects resulting from foreign exchange variation on income. For this purpose, foreign exchange risk is neutralized using derivative financial instruments.

### Reconciliation of Audited and Managerial Net Income - 3Q12 and 4Q12

| INCOME STATEMENT<br>(R\$ Million)                         | 3Q12           |             | 3Q12<br>Managerial | 4Q12           |              | 4Q12<br>Managerial |
|---|----------------|-------------|--------------------|----------------|--------------|--------------------|
|   | Audited        | Adjustments |                    | Audited        | Adjustments  |                    |
| <b>Income from Financial Intermediation</b>               | <b>3,212</b>   | <b>(47)</b> | <b>3,165</b>       | <b>3,352</b>   | <b>(116)</b> | <b>3,236</b>       |
| Loans   | 2,212          | (46)        | 2,167              | 2,148          | (114)        | 2,034              |
| Leases  | 88             | -           | 88                 | 82             | -            | 82                 |
| Securities  | 1,081          | -           | 1,081              | 1,391          | -            | 1,391              |
| Derivative Financial Instruments                          | (264)          | (1)         | (265)              | (405)          | (2)          | (406)              |
| Foreign Exchange Operations                               | 23             | -           | 23                 | 32             | -            | 32                 |
| Compulsory Deposits                                       | 45             | -           | 45                 | 22             | -            | 22                 |
| Sale or transfer operation from financial assets          | 26             | -           | 26                 | 81             | -            | 81                 |
| <b>Expenses from Financial Intermediation</b>             | <b>(2,044)</b> | <b>-</b>    | <b>(2,044)</b>     | <b>(2,079)</b> | <b>-</b>     | <b>(2,079)</b>     |
| Money Market Borrowings                                   | (1,863)        | -           | (1,863)            | (1,872)        | -            | (1,872)            |
| Borrowings and Onlendings                                 | (174)          | -           | (174)              | (145)          | -            | (145)              |
| Foreign Exchange Operations                               | -              | -           | -                  | -              | -            | -                  |
| Sale or transfer operation from financial assets          | (8)            | -           | (8)                | (62)           | -            | (62)               |
| <b>Net Interest Income</b>                                | <b>1,168</b>   | <b>(47)</b> | <b>1,120</b>       | <b>1,273</b>   | <b>(116)</b> | <b>1,156</b>       |
| Allowance for loan losses - ALL                           | (1,332)        | 46          | (1,286)            | (1,066)        | 114          | (951)              |
| <b>Net Financial Margin</b>                               | <b>(164)</b>   | <b>(1)</b>  | <b>(166)</b>       | <b>207</b>     | <b>(2)</b>   | <b>205</b>         |
| <b>Other Operating Income / Expenses</b>                  | <b>(626)</b>   | <b>(2)</b>  | <b>(628)</b>       | <b>(710)</b>   | <b>(2)</b>   | <b>(712)</b>       |
| Fee Income/ Banking Fees Income                           | 256            | -           | 256                | 286            | -            | 286                |
| Personnel and Administrative Expenses                     | (615)          | -           | (615)              | (721)          | -            | (721)              |
| Tax Expenses  | (127)          | 0           | (126)              | (129)          | 0            | (128)              |
| Equity in Income of Associated Companies and Subsidiaries | 18             | -           | 18                 | 22             | -            | 22                 |
| Other Operational Income/Expenses                         | (158)          | (3)         | (161)              | (168)          | (2)          | (171)              |
| <b>Operating Income (Loss)</b>                            | <b>(790)</b>   | <b>(4)</b>  | <b>(794)</b>       | <b>(503)</b>   | <b>(4)</b>   | <b>(507)</b>       |
| <b>Non-Operating Income (Loss)</b>                        | <b>(43)</b>    | <b>-</b>    | <b>(43)</b>        | <b>(24)</b>    | <b>-</b>     | <b>(24)</b>        |
| <b>Income (Loss) before Taxation and Profit Sharing</b>   | <b>(834)</b>   | <b>(4)</b>  | <b>(838)</b>       | <b>(527)</b>   | <b>(4)</b>   | <b>(530)</b>       |
| Provision for Income Tax and Social Contribution          | 373            | 4           | 377                | 288            | 4            | 292                |
| Profit Sharing  | (36)           | -           | (36)               | (120)          | -            | (120)              |
| <b>Net Income (Loss)</b>                                  | <b>(497)</b>   | <b>-</b>    | <b>(497)</b>       | <b>(358)</b>   | <b>-</b>     | <b>(358)</b>       |

## Reconciliation of Audited and Managerial Net Income – 2011 and 2012

| INCOME STATEMENT<br>(R\$ Million)                         | 2011<br>Audited | Adjustments | 2011<br>Managerial | 2012<br>Audited | Managerial   | 2012<br>Managerial |
|---|-----------------|-------------|--------------------|-----------------|--------------|--------------------|
| <b>Income from Financial Intermediation</b>               | <b>16,016</b>   | <b>160</b>  | <b>16,176</b>      | <b>13,914</b>   | <b>(254)</b> | <b>13,660</b>      |
| Loans   | 11,092          | 61          | 11,153             | 9,181           | (331)        | 8,849              |
| Leases  | 495             | -           | 495                | 382             | -            | 382                |
| Securities  | 4,858           | -           | 4,858              | 4,940           | -            | 4,940              |
| Derivative Financial Instruments                          | (1,198)         | 99          | (1,098)            | (1,108)         | 77           | (1,031)            |
| Foreign Exchange Operations                               | 107             | -           | 107                | 161             | -            | 161                |
| Compulsory Deposits                                       | 663             | -           | 663                | 251             | -            | 251                |
| Sale or transfer operation from financial assets          | -               | -           | -                  | 108             | -            | 108                |
| <b>Expenses from Financial Intermediation</b>             | <b>(11,035)</b> | <b>-</b>    | <b>(11,035)</b>    | <b>(9,148)</b>  | <b>-</b>     | <b>(9,148)</b>     |
| Money Market Borrowings                                   | (10,129)        | -           | (10,129)           | (8,252)         | -            | (8,252)            |
| Borrowings and Onlendings                                 | (906)           | -           | (906)              | (808)           | -            | (808)              |
| Foreign Exchange Operations                               | -               | -           | -                  | (19)            | -            | (19)               |
| Sale or transfer operation from financial assets          | -               | -           | -                  | (70)            | -            | (70)               |
| <b>Net Interest Income</b>                                | <b>4,981</b>    | <b>160</b>  | <b>5,142</b>       | <b>4,766</b>    | <b>(254)</b> | <b>4,511</b>       |
| Allowance for loan losses - ALL                           | (3,343)         | (165)       | (3,507)            | (5,423)         | 331          | (5,092)            |
| <b>Net Financial Margin</b>                               | <b>1,638</b>    | <b>(4)</b>  | <b>1,634</b>       | <b>(657)</b>    | <b>77</b>    | <b>(580)</b>       |
| <b>Other Operating Income / Expenses</b>                  | <b>(1,955)</b>  | <b>(77)</b> | <b>(2,032)</b>     | <b>(2,444)</b>  | <b>(61)</b>  | <b>(2,505)</b>     |
| Fee Income/ Banking Fees Income                           | 1,247           | -           | 1,247              | 1,035           | -            | 1,035              |
| Personnel and Administrative Expenses                     | (2,404)         | -           | (2,404)            | (2,550)         | -            | (2,550)            |
| Tax Expenses  | (623)           | (3)         | (626)              | (478)           | (2)          | (479)              |
| Equity in Income of Associated Companies and Subsidiaries | (0)             | -           | (0)                | 70              | -            | 70                 |
| Other Operational Income/Expenses                         | (175)           | (74)        | (249)              | (522)           | (59)         | (581)              |
| <b>Operating Income (Loss)</b>                            | <b>(317)</b>    | <b>(81)</b> | <b>(398)</b>       | <b>(3,101)</b>  | <b>16</b>    | <b>(3,085)</b>     |
| <b>Non-Operating Income (Loss)</b>                        | <b>(76)</b>     | <b>103</b>  | <b>28</b>          | <b>(139)</b>    | <b>-</b>     | <b>(139)</b>       |
| <b>Income (Loss) before Taxation and Profit Sharing</b>   | <b>(393)</b>    | <b>22</b>   | <b>(370)</b>       | <b>(3,241)</b>  | <b>16</b>    | <b>(3,224)</b>     |
| Provision for Income Tax and Social Contribution          | 561             | (22)        | 538                | 1,616           | (16)         | 1,600              |
| Profit Sharing  | (355)           | -           | (355)              | (363)           | -            | (363)              |
| <b>Net Income (Loss)</b>                                  | <b>(187)</b>    | <b>-</b>    | <b>(187)</b>       | <b>(1,988)</b>  | <b>-</b>     | <b>(1,988)</b>     |

## Analysis of Managerial Result

### Net Interest Income

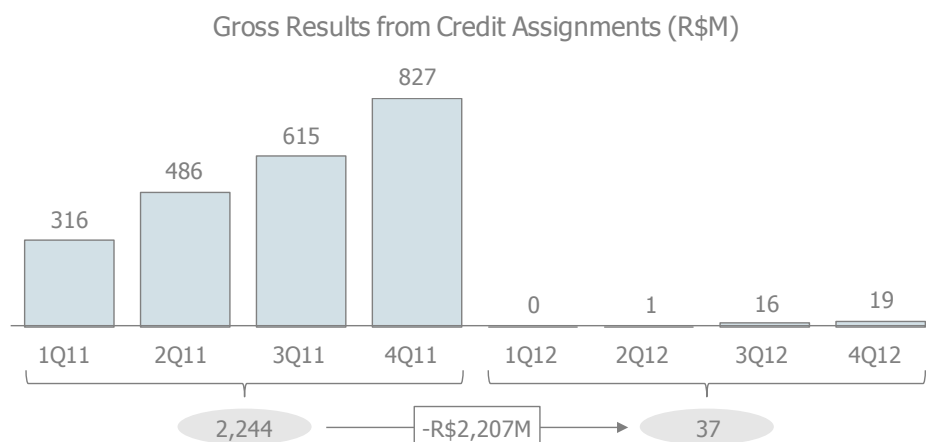
Net Interest Income totaled R\$1,156 million in 4Q12, an expansion of 3.2% in relation to the previous quarter.

Income from financial intermediation increased 2.2% in relation to 3Q12, mainly due to the increase in securities, which was boosted by the growth of revenues from structured operations of the Corporate & Investment Banking (CIB) segment and by the good performance of the Treasury. In the full year of 2012, the income from financial intermediation decreased 15.6% in relation to the previous year, mostly due to the 20.7% reduction in revenues from loans, as an effect of the drop in revenues from credit assignment operations.

| NET INTEREST INCOME<br>(R\$ Million)             | 4Q11           | 3Q12           | 4Q12           | 2011            | 2012           | Variation (%) |               |
|--|----------------|----------------|----------------|-----------------|----------------|---------------|---------------|
|  |                |                |                |                 |                | 4Q12/3Q12     | 2012/2011     |
| <b>Income from Financial Intermediation</b>      | <b>3,241</b>   | <b>3,165</b>   | <b>3,236</b>   | <b>16,176</b>   | <b>13,660</b>  | <b>2.2</b>    | <b>(15.6)</b> |
| Loans  | 2,993          | 2,167          | 2,034          | 11,153          | 8,849          | (6.1)         | (20.7)        |
| Leases   | 115            | 88             | 82             | 495             | 382            | (6.9)         | (22.8)        |
| Securities                                       | 771            | 1,081          | 1,391          | 4,858           | 4,940          | 28.7          | 1.7           |
| Derivative Financial Instruments                 | (806)          | (265)          | (406)          | (1,098)         | (1,031)        | 53.2          | (6.1)         |
| Foreign Exchange Operations                      | 11             | 23             | 32             | 107             | 161            | 40.8          | 51.1          |
| Compulsory Deposits                              | 158            | 45             | 22             | 663             | 251            | (51.6)        | (62.1)        |
| Sale or transfer operation from financial assets | -              | 26             | 81             | -               | 108            | 208.1         | -             |
| <b>Expenses from Financial Intermediation</b>    | <b>(2,339)</b> | <b>(2,044)</b> | <b>(2,079)</b> | <b>(11,035)</b> | <b>(9,148)</b> | <b>1.7</b>    | <b>(17.1)</b> |
| Money Market Borrowings                          | (2,218)        | (1,863)        | (1,872)        | (10,129)        | (8,252)        | 0.5           | (18.5)        |
| Borrowings and Onlendings                        | (121)          | (174)          | (145)          | (906)           | (808)          | (16.7)        | (10.8)        |
| Foreign Exchange Operations                      | -              | -              | -              | -               | (19)           | -             | -             |
| Sale or transfer operation from financial assets | -              | (8)            | (62)           | -               | (70)           | 701.3         | -             |
| <b>Net Interest Income</b>                       | <b>902</b>     | <b>1,120</b>   | <b>1,156</b>   | <b>5,142</b>    | <b>4,511</b>   | <b>3.2</b>    | <b>(12.3)</b> |

We must bear in mind that the subsidiary BV Financeira operates as an extension of BB in auto finance outside the branch environment and that, up to Dec.11, BV Financeira conducted credit assignments with recourse to BB in a recurrent manner, recognizing revenues at the time of the respective credit assignments – in accordance with the legislation in effect at that time.

However, on Jan.12 Resolution 3,533 came into effect and changed the accounting rules for credit assignments with recourse conducted after 2012. Under the new rules, the revenues from these operations, must be allocated over the remaining period of the contracts. Moreover, credits assigned with substantial risk retention must remain fully recorded in the assets of the assignor (selling institution). This regulatory change had an impact on the securitization market and on the results of the banks that operate in it, in addition to being the main reason for the annual reduction recorded in the Bank's loan revenues. The following chart shows that the gross results from credit assignments (before early settlement expenses and allowance for loan losses provisions) was only R\$37 million in 2012 compared to R\$2,244 million in the previous year.





We emphasize that Banco Votorantim remains responsible for the early settlement expenses and allowance for loan losses provisions of contracts assigned with recourse up to Dec.11, whose balance amounted to R\$9.1 billion at the end of Dec.12 (R\$15.4 billion in Dec.11). In 2012, the Bank recognized expenses amounting to R\$394 million (against R\$726 million in 2011) referring to the early settlement of those contracts, negatively impacting revenues from loans in the period. As explained above, expenses on allowance for loan losses for those contracts are managerially relocated to the allowance for loan losses, not impacting the net interest income.

In the new regulatory context in which became effective the Resolution 3,533, progress was made in structuring a model of direct origination of credit assets to BB, with focus on new car dealers, internally called "BV Originadora – BVO". In that new model, whose pilot operation is scheduled to start in 1Q13, Banco Votorantim will be responsible for the sales force in new car dealers, whereas BB will be responsible for the web portal for proposal entry, policy and credit analysis, and operation funding and pricing. With the implementation of BVO, Banco Votorantim will start receiving fees for the origination of credit assets, which will be recorded directly in the BB balance sheet.

Derivative financial instruments, in turn, amounted to R\$-406 million in 4Q12, compared to R\$-265 million in 3Q12. This result is composed of income and expenses associated with swaps, futures and other derivatives that are regularly used to hedge overseas investments and positions of loans, securities, foreign exchange, money market borrowings, borrowings and onlendings that have risks in foreign currency, indexes and interest rates.

Expenses from financial intermediation increased 1.7% in relation to 3Q12, whereas in the annual comparison they decreased 17.1%, a drop explained mainly by the reduction in the basic interest rate (Selic rate) and by the decrease in the average balance of funding sources.

In the last few years, Banco Votorantim was able to lengthen its average funding term, which contributed to the reduction in the maturity mismatch between assets and liabilities to very conservative and historically low levels. That fact, together with the slight downturn in the loan portfolio in 2012, substantially reduced the need for additional funding. In such a favorable context, the Bank has acted to reduce its funding cost.

The net interest margin (NIM) was 4.4% in 4Q12, unchanged from the previous quarter. In 2012, the NIM showed a 50 base points reduction in relation to the previous year, mainly due to the decrease in revenues from credit assignment operations, which negatively impacted the net interest income.

| NET INTEREST MARGIN<br>(R\$ Million)        | 4Q11         | 3Q12         | 4Q12         |
|---|--------------|--------------|--------------|
| Average Earning Assets (AEA)                | 109,435      | 104,263      | 106,762      |
| Average Interest Bearing Liabilities (AIBL) | 99,323       | 94,232       | 95,379       |
| <b>Net Interest Gain (1)</b>                | <b>1,705</b> | <b>1,369</b> | <b>1,535</b> |
| Interest Income                             | 4,037        | 3,409        | 3,610        |
| Interest Expense                            | (2,331)      | (2,040)      | (2,074)      |
| <b>Net Interest Income Other Items (2)</b>  | <b>(803)</b> | <b>(248)</b> | <b>(379)</b> |
| <b>Net Interest Income</b>                  | <b>902</b>   | <b>1,120</b> | <b>1,156</b> |
| AIBL / AEA - %                              | 90.8%        | 90.4%        | 89.3%        |
| Interest Rate on AEA - % (3)                | 15.6%        | 13.7%        | 14.2%        |
| Interest Rate on AIBL - % (4)               | 9.7%         | 8.9%         | 9.0%         |
| Net Interest Rate - % (5)                   | 5.9%         | 4.8%         | 5.2%         |
| NIM - %                                     | 3.3%         | 4.4%         | 4.4%         |

1. Defined as interest income excluding interest expense.

2. Contains derivatives, foreign exchange operations, recovery of write-offs and Credit Guarantor Fund (FGC).

3. Interest income divided by average earning assets.

4. Interest expense divided by average interest bearing liabilities.

5. Difference between average rate of earning assets and average rate of interest bearing liabilities

## Loan Portfolio

Banco Votorantim is responsible for the risk of assets assigned with recourse to other financial institutions and the assets assigned to FIDCs (Credit Receivables Investment Funds) of which Banco Votorantim holds 100% of the subordinated shares. Due to that, and aiming at ensuring a more consistent communication to the market, this report also shows information on the managed portfolio, which includes all assets assigned with a substantial retention of risk (both on balance sheet and off balance sheet). In Dec.12, the off balance sheet balance of those assigned assets amounted to R\$11.4 billion (vs. R\$20.5 billion in Dec.11) and will tend to zero over time, in view of Resolution 3,533.

In Dec.12, the consolidated loan portfolio reached R\$57.0 billion, reduction of 1.9% in relation to Sept.12 and 3.0% over the last 12 months. The managed loan portfolio, in turn, closed Dec.12 at R\$68.4 billion, reduction of 4.3% in relation to Sept.12 and 13.7% in relation to Dec.11.

| LOAN PORTFOLIO<br>(R\$ Million)                             | Dec.11        | Sept.12       | Dec.12        | Variation (%) |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   |               |               |               | Dec12/Sept12  | Dec12/Dec11   |
| <b>Wholesale Segment</b>                                    | <b>20,916</b> | <b>20,266</b> | <b>19,531</b> | <b>(3.6)</b>  | <b>(6.6)</b>  |
| Corporate   | 12,752        | 11,758        | 11,188        | (4.8)         | (12.3)        |
| Middle Market   | 8,164         | 8,508         | 8,343         | (1.9)         | 2.2           |
| <b>Consumer Finance Segment</b>                             | <b>37,810</b> | <b>37,812</b> | <b>37,424</b> | <b>(1.0)</b>  | <b>(1.0)</b>  |
| Auto Finance <sup>1</sup>                                   | 31,255        | 30,274        | 29,893        | (1.3)         | (4.4)         |
| Payroll Loans   | 6,201         | 7,168         | 7,173         | 0.1           | 15.7          |
| Other   | 355           | 370           | 358           | (3.3)         | 0.9           |
| <b>Loan Portfolio</b>                                       | <b>58,726</b> | <b>58,079</b> | <b>56,955</b> | <b>(1.9)</b>  | <b>(3.0)</b>  |
| Guarantees Provided   | 11,859        | 12,592        | 12,903        | 2.5           | 8.8           |
| Other <sup>2</sup>  | 6,234         | 8,494         | 8,779         | 3.4           | 40.8          |
| <b>Expanded Loan Portfolio<sup>3</sup></b>                  | <b>76,819</b> | <b>79,164</b> | <b>78,637</b> | <b>(0.7)</b>  | <b>2.4</b>    |
| Credit Assignments <sup>4</sup> with recourse (off balance) | 15,360        | 10,494        | 9,054         | (13.7)        | (41.1)        |
| Auto Finance <sup>1</sup>                                   | 11,089        | 7,574         | 6,537         | (13.7)        | (41.0)        |
| Payroll Loans   | 4,270         | 2,921         | 2,516         | (13.8)        | (41.1)        |
| Credit Assignments to FIDC <sup>5</sup> (off balance)       | 5,182         | 2,908         | 2,376         | (18.3)        | (54.1)        |
| <b>Consumer Finance Managed Loan Portfolio<sup>6</sup></b>  | <b>58,352</b> | <b>51,214</b> | <b>48,854</b> | <b>(4.6)</b>  | <b>(16.3)</b> |
| <b>Total Managed Loan Portfolio<sup>6</sup></b>             | <b>79,268</b> | <b>71,480</b> | <b>68,385</b> | <b>(4.3)</b>  | <b>(13.7)</b> |
| <b>Expanded Managed Loan Portfolio<sup>7</sup></b>          | <b>97,361</b> | <b>92,566</b> | <b>90,067</b> | <b>(2.7)</b>  | <b>(7.5)</b>  |

1. Includes individual loans and leases; 2. Includes private securities; 3. Includes guarantees provided and private securities; 4. Credit assignments with recourse to other financial institutions; 5. Investment funds in credit rights in which Banco Votorantim holds 100% of subordinated quotas; 6. Includes loan portfolio, credit assignments and FIDCs; 7. Includes expanded loan portfolio, credit assignments and FIDCs.

Wholesale loan portfolio reached R\$19.5 billion in Dec.12, presenting a reduction of 3.6% in the quarter and of 6.6% in the last 12 months. Wholesale's expanded loan portfolio, which includes guarantees provided and private securities, closed Dec.12 with a balance of R\$41.3 billion, increase of 5.5% in the last 12 months.

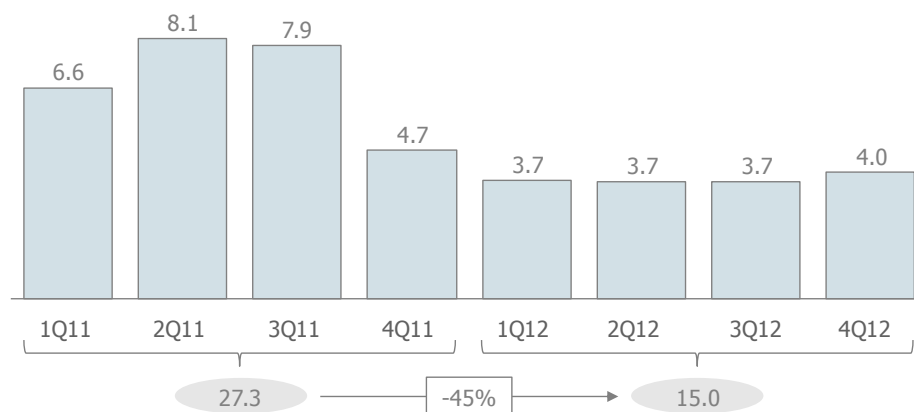
The Middle Market segment (medium sized companies) closed Dec.12 with a loan portfolio of R\$8.3 billion, reduction of 1.9% in the quarter and increase of 2.2% in the last 12 months. The expanded loan portfolio recorded a balance of R\$9.5 billion, growth of 5.4% in 12 months. Middle Market continues to operate with a high level of strong guarantees (high and medium mitigation power), which covered 97% of the loan portfolio in Dec.12, including commodities, trade notes, sale of vehicles, equipments and real estate, cash collaterals, performing receivables and bank guarantees. Middle Market has been operating on clients with gross annual revenues from R\$20 million to R\$400 million; however, in 2012 it started focusing its efforts on clients grossing over R\$50 million, a segment with a lower delinquency level and more adequate to the portfolio of institutions that do not have a retail structure.

The Corporate & Investment Banking (CIB) segment ended Dec.12 with a loan portfolio of R\$11.2 billion, down 4.8% over the previous quarter and 12.3% over Dec.11. The expanded loan portfolio recorded a balance of R\$31.8

billion, growth of 5.5% in 12 months. CIB is one of the market leaders in lending to companies with annual revenues above R\$400 million, with a high market penetration (more than 430 economic groups with credit risk). With the intention of increasing its importance to clients and of expanding service revenues, CIB strengthened its platform of high value-added products (derivatives, structured products, investment banking services and domestic and international distribution).

Consumer Finance's loan portfolio reached R\$37.4 billion in Dec.12, presenting a slight reduction of 1.0% in relation to Sept.12 and Dec.11. The managed loan portfolio of Consumer Finance, in turn, totaled R\$48.9 billion in Dec.12, down 4.6% over Sept.12 and 16.3% over Dec.11. The decrease of the Consumer Finance loan portfolio is associated with the institution's more conservative attitude on account of the new economic-regulatory context and the systemic increase in the delinquency of individuals, particularly in the auto finance segment. The following chart shows that the volume produced by Consumer Finance in 2012 was 45% lower than in 2011, since the focus was on ensuring quality and profitability of the new vintages.

Consumer Finance Origination – Auto Finance and Payroll Loans (R\$B)



To resume sustainable growth with profitability in the medium-term, the Bank has been making speedy progress in the implementation of its Change Agenda, with three main fronts:

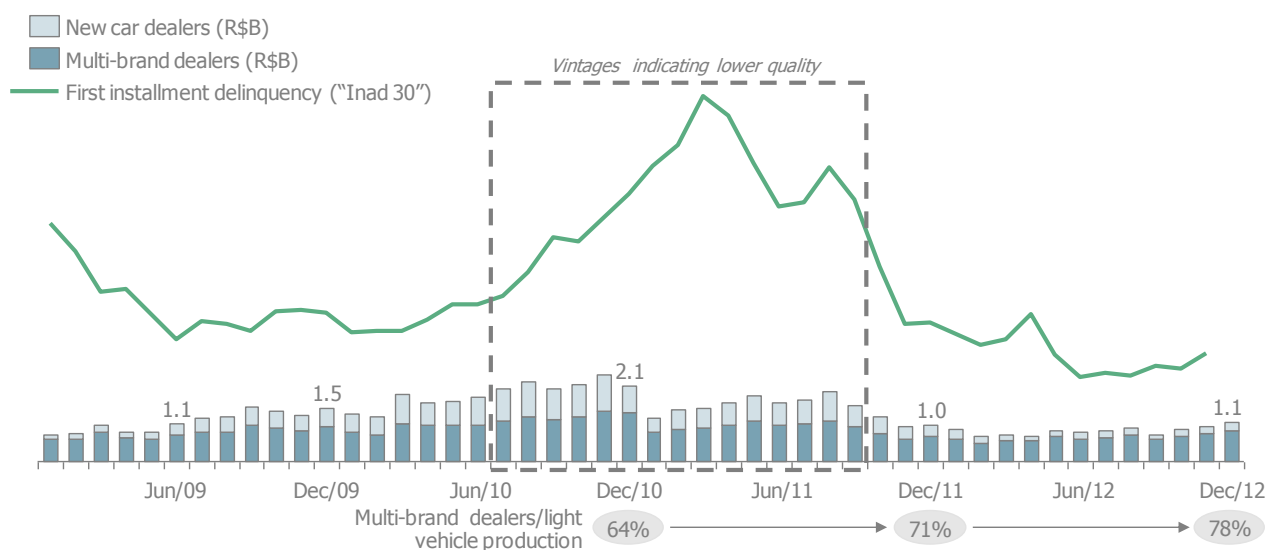
**1. New production.** The priority of the prudential adjustment process was to ensure the quality and profitability of auto finance transactions originated since Sept.11. For this purpose, a series of initiatives have been implemented from 4Q11, including:

- **Credit:** improvement of credit policies, processes and models. In 2012 the Bank implemented new variables in its credit model, such as BB's internal rating, and additional information from credit bureaus (e.g.: Serasa Experian), which increased the capacity to discriminate the risk model (i.e., identification of clients with a better risk profile). Also, a new "credit motor" was acquired, the FICO® Blaze Advisor®, which is in the implementation stage and will allow increasing the automatic decision rate, expanding risk discrimination and speeding up changes in decision making parameters.
- **Profitability:** focus on clients with a better risk profile, with adequacy of the origination volumes and improving the remuneration model for the commercial areas. It is worth emphasizing that, even in view of the decrease observed in the average interest rates in the finance transactions of 2012, a phenomenon observed in the market in general, the good profitability of BV Financeira's recent vintages was maintained by means of measures such as reducing commissions paid to distribution channels; and
- **Operating model:** intensification of the focus on the multi-brand dealers (used vehicles) for origination of finance operations targeting its own portfolio, which historically is more profitable for BV Financeira. In new car dealers, BV Financeira will act mostly in direct origination of credit assets to BB, by means of BV Originadora's model.

| AUTO FINANCE   | Dec.11 | Sept.12 | Dec.12 | Variation    |             |
|--|--------|---------|--------|--------------|-------------|
|  |        |         |        | Dec12/Sept12 | Dec12/Dec11 |
| <b>Origination</b>                                     |        |         |        |              |             |
| Average rate (% per year)                              | 26.4   | 24.1    | 23.5   | -0.5 p.p.    | -2.9 p.p.   |
| Average Term (months)                                  | 46.4   | 44.1    | 44.6   | 0.6          | (1.8)       |
| Loan-to-Value (Financed Value / Total Asset Value) (%) | 59.5   | 57.0    | 58.4   | 1.5 p.p.     | -1.1 p.p.   |
| Used Vehicles / Light Vehicles (%)                     | 73.7   | 80.5    | 77.6   | -2.9 p.p.    | 4.0 p.p.    |
| Multi-brand dealers / Light Vehicles (%)               | 70.3   | 83.0    | 80.9   | -2.0 p.p.    | 10.6 p.p.   |
| <b>Loan Portfolio</b>                                  |        |         |        |              |             |
| Average rate (% per year)                              | 24.7   | 25.5    | 26.7   | 1.2 p.p.     | 2.0 p.p.    |
| Duration (months)                                      | 20.2   | 17.0    | 17.3   | 0.3          | (2.8)       |
| Average Vehicle Age (years)                            | 4.8    | 4.8     | 5.1    | 0.4          | 0.4         |
| Used Vehicles / Auto Finance Loan Portfolio (%)        | 67.1   | 68.1    | 69.8   | 1.7 p.p.     | 2.8 p.p.    |

The adopted initiatives resulted in the auto finance origination with a record quality level in 2012. The following chart shows the first installment delinquency indicator ("Inad 30"), which is highly correlated with delinquency over 90 days. During 2012, "Inad 30" kept historically low levels, indicating that the auto finance vintages of that period have an excellent quality.

Light vehicles – Origination by channel (R\$B) and first installment delinquency<sup>2</sup> (%)

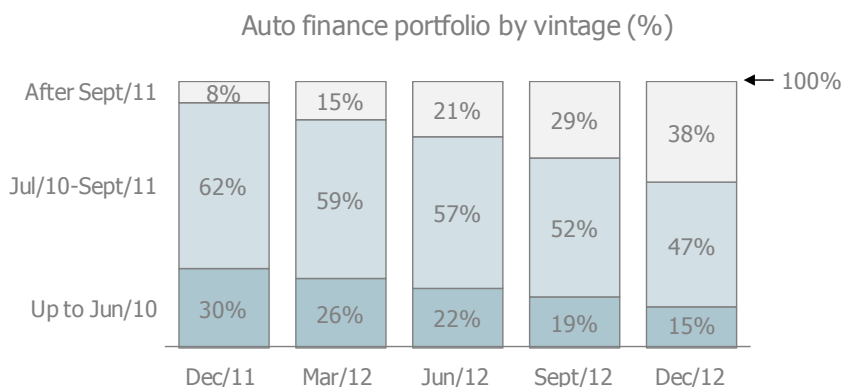


1. Includes CDC vehicles and vans (excludes leasing); 2. % of each month production with first installments past due by over 30 days

The improvement of credit policies, processes and models also allowed a slight increase in the production volume, whose profile continues to follow the strict lending criteria adopted by the Bank since Sept.11. In 4Q12, BV Financeira placed itself in a leading position in the used auto finance market, with a 20% market share.

**2. Handling of Stock.** The second front of the Change Agenda is related to the handling of the auto finance portfolios originated between Jul.10 and Sept.11, which have delinquency higher than the historical average. In addition to the gradual increase in the coverage ratio of the Consumer Finance loans (90% in Dec.12; 70% in Dec.11), the Bank conducted a review and intensification of the credit collection processes targeting delinquency reduction and the recovery and/or minimization of losses. The Bank also acquired a new collection platform, called Cyber Financial, which will improve collection processes, allowing differentiated actions per client profile.

The following chart shows that the best quality loan portfolios originated after Sept.11 already represent 38% of the managed Auto Finance loan portfolio, as compared to 8% in Dec.11. In addition, it allows seeing that the participation of the loan portfolios produced from Jul.10 to Sept.11 decreased to 47% in Dec.12, from 62% in Dec.11.



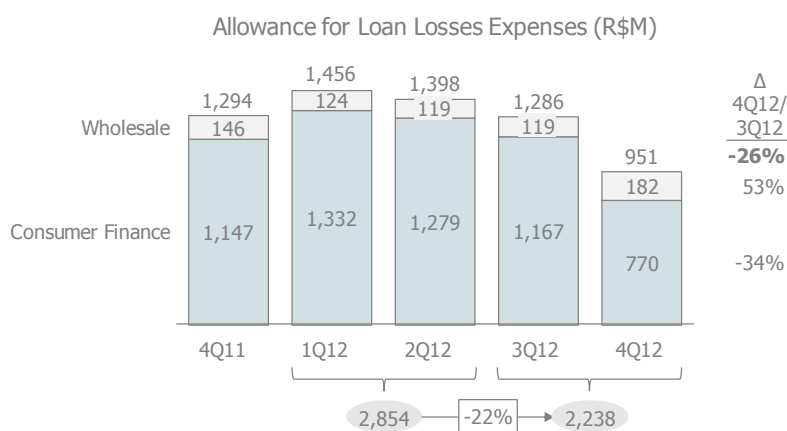
**3. Efficiency and Governance.** The adjustment process also includes initiatives that aim to increase the efficiency and refine corporate governance, such as:

- **Structure:** adaptation of the organizational structures to the new Consumer Finance origination level, as well as the integration of corporate areas (e.g., the Legal, Risks, Finance, HR, Operations, Technology, and other areas that in the past used to work separately). Banco Votorantim presently is a single, fully integrated bank with two business units (Wholesale and Consumer Finance) sharing the same physical space and more efficient corporate areas serving those two business units;
- **Talents:** attraction of experienced market professionals and valuing internal talents;
- **Compensation:** review of the internal compensation model and incentive payed to distribution channels (multi-brand dealers, new car dealers and banking correspondents);
- **Efficiency:** implementation of actions that aim the reduction of the structural costs and expenses; and
- **Processes and controls:** strengthening internal controls and improving policies and processes. In 2012, for instance, there was the implementation of measures for downgrading initial ratings in auto finance operations and for refinement of manual drag rules.

**Delinquency and Allowance for loan losses**

In the auto finance market, in which Banco Votorantim has a strong presence, delinquency doubled last year (2.5% in Dec.10; 5.0% in Dec.11) and reached 6.1% in May.12, setting a new record in the Brazilian Central Bank history. After 17 months of consecutive increases, the delinquency started subsiding in the second half of 2012, but closed 2012 still in the high level of 5.3%.

Even in this context of high delinquency rate, the consolidated allowance for loan losses (ALL) expenses, net of revenues with recovery of loans written off to loss, were reduced for three consecutive quarters, and 26% in relation to 3Q12.



In Wholesale, the ALL expenses amounted to R\$182 million in 4Q12 (against R\$119 million in 3Q12) mostly due to advances of the full provisions in cases of court recovery in Middle Market segment (medium sized companies), which reflects the Bank's conservative position in relation to loan losses provisions.

In Consumer Finance, ALL expenses recorded an expressive 34% reduction in 4Q12 (vs. 3Q12). This new quarterly reduction, previously informed to the market, is explained by four main factors: (i) lower impact of the loan portfolios originated between Jul.10 and Sept.11, which have a record of delinquency above the historical average; (ii) better quality of the vintages originated as from Sept.11; (iii) improvement in the credit collection processes, with application of new policies and incentives; and (iv) seasonal improvement in the condition for individual clients collection, due to the 13<sup>th</sup> salary.

The significant reduction in the ALL expenses contributed to allow Banco Votorantim to report a positive net financial margin in 4Q12, as shown in the following table.

| NET FINANCIAL MARGIN<br>(R\$ Million) | 4Q11         | 3Q12         | 4Q12         | 2011         | 2012         | Variation (%)  |                |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|
|                                       |              |              |              |              |              | 4Q12/3Q12      | 2012/2011      |
| <b>Net Interest Income</b>            | <b>902</b>   | <b>1,120</b> | <b>1,156</b> | <b>5,142</b> | <b>4,511</b> | <b>3.2</b>     | <b>(12.3)</b>  |
| Allowance for loan losses - ALL       | (1,294)      | (1,286)      | (951)        | (3,507)      | (5,092)      | (26.0)         | 45.2           |
| Wholesale segment                     | (146)        | (119)        | (182)        | (415)        | (543)        | 52.9           | 30.8           |
| Consumer Finance segment              | (1,148)      | (1,167)      | (770)        | (3,092)      | (4,548)      | (34.1)         | 47.1           |
| <b>Net Financial Margin</b>           | <b>(392)</b> | <b>(166)</b> | <b>205</b>   | <b>1,634</b> | <b>(580)</b> | <b>(223.6)</b> | <b>(135.5)</b> |

As from the 4Q12, in order to align the information disclosed to the market to the methodology used by BB, the Bank included in its result disclosure material the indicator "loans past due over 90 days" (90-day NPL), allowing better analysis of the quality of the loan portfolio of the Bank. This indicator, together with the information on "loans past due classified into E-H ratings in the criteria of Brazilian Central Bank Resolution 2,682/99" (E-H NPL) allows a better quality analysis in the managed loan portfolio of the Bank.

In the consolidated, 90-day NPL of the managed loan portfolio closed Dec.12 at 6.6%, reduction of about 80 base points in relation to Sept.12.

In Wholesale, the 90-day NPL closed 2012 at 2.4% (vs. 2.4% in Sept.12) mostly due to the growth of delinquency in Middle Market segment, which closed Dec.12 at 3.1%. The delinquency increase among medium sized companies, also observed in the market, results mainly from the lower pace of economic activity. According to Brazilian Central Bank data, the average delinquency of legal entities closed Dec.12 at 4.0%.

In Consumer Finance 90-day NPL accounted for 8.3% of the managed loan portfolio in Dec.12, a reduction of around 110 base points on Sept. 2. In light vehicles, the delinquency in the managed loan portfolio (excluding off balance sheet assets assigned to FIDC), closed Dec.12 at 7.7%, with a significant reduction of 140 base points in relation to Sept.12.

The quality of the managed loan portfolio also improved in the 4Q12. The percentage of the loan portfolio classified between AA-C (criteria of Resolution 2,682/Bacen) increased to 90.2% in Dec.12, in comparison with 89.7% in Sept.12. This improvement was boosted by Consumer Finance, which had 89.5% of the loan portfolio classified from AA to C in Dec.12, compared to 88.9% in Sept.12.

We highlight the fact that, even with the reduction in the ALL expenses in 4Q12, a new increase occurred in the coverage ratio (balance of loan losses provisions / loans past due over 90 days), which reached 100% in Dec.12 (vs. 93% in Sept.12). In Consumer Finance, the coverage ratio of the managed loan portfolio increased to 90% in Dec.12 (84% in Sept.12).



| LOAN PORTFOLIO QUALITY INDICATORS <sup>1</sup> | Dec.11 | Sept.12 | Dec.12  |
|--|--------|---------|---------|
| Loan Portfolio (R\$ Million)                   | 79,268 | 71,480  | 68,385  |
| E-H NPL <sup>2</sup> (R\$ Million)             | 3,538  | 4,624   | 4,104   |
| E-H NPL/ Loan Portfolio                        | 4.5%   | 6.5%    | 6.0%    |
| 90-day NPL/ Loan Portfolio                     | 5.8%   | 7.4%    | 6.6%    |
| Write-off (a)                                  | (546)  | (1,269) | (1,434) |
| Recovery of loans written off (b)              | 38     | 64      | 93      |
| Net Loss (a+b)                                 | (509)  | (1,205) | (1,341) |
| Net Loss/ Loan Portfolio - annualized          | 2.6%   | 6.9%    | 8.1%    |
| ALL Provisions (R\$ Million)                   | 3,675  | 4,914   | 4,518   |
| ALL Provisions / Loan Portfolio                | 4.6%   | 6.9%    | 6.6%    |
| ALL Provisions / E-H NPL <sup>3</sup>          | 103.9% | 106.3%  | 110.1%  |
| ALL Provisions / 90-day NPL                    | 80.0%  | 93.1%   | 99.9%   |
| AA-C (R\$ Million)                             | 73,440 | 64,117  | 61,664  |
| AA-C / Loan Portfolio                          | 92.6%  | 89.7%   | 90.2%   |

1. Including credit assignments and FIDCs; 2. Past due loans according to Bacen Resolution 2,682; 3. The methodology for calculating the coverage ratio was revised from Sept. 12.

## Fee Income/Banking Fees Income

Fee income, including banking fees, amounted to R\$286 million in 4Q12, an increase of 11.8% in relation to 3Q12, mainly due to the increase in commissions on placing of securities, and especially management of investment funds, and the transaction of infrastructure debentures of CART – Concessionária Auto Raposo Tavares in the amount of R\$750 million, under the coordination of the CIB segment. Revenues from master file registration and appraisal of assets (vehicles) also showed growth, as an effect of the increase in Consumer Finance production volume in 4Q12.

In 2012, fee income amounted to R\$1,035 million, a 17.0% reduction in relation to the previous year, mostly due to the lower production volume in Consumer Finance.

| FEE INCOME <sup>1</sup><br>(R\$ Million) | 4Q11       | 3Q12       | 4Q12       | 2011         | 2012         | Variation (%) |               |
|--|------------|------------|------------|--------------|--------------|---------------|---------------|
|  |            |            |            |              |              | 4Q12/3Q12     | 2012/2011     |
| Master file registration                 | 85         | 78         | 85         | 497          | 313          | 8.6           | (37.0)        |
| Appraisal of assets                      | 42         | 36         | 42         | 215          | 148          | 14.0          | (31.0)        |
| Credit cards                             | 8          | 11         | 12         | 25           | 40           | 10.4          | 64.0          |
| Income from guarantees granted           | 36         | 44         | 44         | 141          | 171          | 1.2           | 21.2          |
| Management of investment funds           | 55         | 30         | 38         | 125          | 139          | 27.0          | 10.5          |
| Commissions on placing of securities     | 13         | 18         | 27         | 62           | 80           | 52.0          | 29.2          |
| Financial advice                         | 29         | 12         | 11         | 37           | 33           | (15.2)        | (9.8)         |
| Other                                    | 20         | 27         | 28         | 146          | 111          | 3.8           | (23.7)        |
| <b>Total Fee Income</b>                  | <b>288</b> | <b>256</b> | <b>286</b> | <b>1,247</b> | <b>1,035</b> | <b>11.8</b>   | <b>(17.0)</b> |

1. Includes Banking fees income

## Non-Interest Expenses

Non-interest expenses grew 20.8% in 4Q12 in relation to the previous quarter, mainly due to the impact of non-recurring expenses associated to the restructuring process, as well as expenses associated to the process of intensifying collection processes and the collective bargaining agreement signed in October.

| NON-INTEREST EXPENSES<br>(R\$ Million)                      | 4Q11         | 3Q12         | 4Q12           | 2011           | 2012           | Variation (%) |             |
|---|--------------|--------------|----------------|----------------|----------------|---------------|-------------|
|   |              |              |                |                |                | 4Q12/3Q12     | 2012/2011   |
| Personnel Expenses  | (209)        | (221)        | (279)          | (859)          | (978)          | 26.2          | 13.9        |
| Administrative Expenses                                     | (433)        | (395)        | (443)          | (1,545)        | (1,572)        | 12.1          | 1.7         |
| Other Operational Expenses                                  | (143)        | (188)        | (260)          | (332)          | (689)          | 38.6          | 107.6       |
| Other Tax Expenses <sup>1</sup>                             | (38)         | (26)         | (20)           | (157)          | (107)          | (23.1)        | (31.8)      |
| <b>Total Non-Interest Expenses</b>                          | <b>(823)</b> | <b>(829)</b> | <b>(1,001)</b> | <b>(2,893)</b> | <b>(3,346)</b> | <b>20.8</b>   | <b>15.7</b> |
| Contingencies Expenses <sup>2</sup>                         | (181)        | (183)        | (250)          | (310)          | (694)          | 36.8          | 123.8       |
| <b>Total Non-Interest Expenses, excluding Contingencies</b> | <b>(642)</b> | <b>(646)</b> | <b>(751)</b>   | <b>(2,582)</b> | <b>(2,652)</b> | <b>16.2</b>   | <b>2.7</b>  |

1. Federal, state and local taxes (excludes ISS, PIS e Cofins); 2. Expenses on provisions for civil and labor contingencies

In relation to 2011, non-interest expenses grew 15.7%. If expenses on contingencies were disregarded in the two years (2011 and 2012), the growth of non-interest expenses in the period would have been of only 2.7%.

Due to several initiatives for cost reduction and greater operating efficiency implemented in 2012, such as the adjustment of organizational structures to the new Consumer Finance origination level, non-interest expenses in 2013 are expected to have a lower level than in 2012.

### Administrative Expenses

In 4Q12, administrative expenses grew 12.1% in relation to the previous quarter, mainly due to the intensification of collection processes in Consumer Finance and to specific expenses related to the restructuring process under way, such as the termination of the lease agreement for the vehicles used by the Consumer Finance commercial force.

In relation to 2011, administrative expenses in 2012 grew 1.7%, mainly due to the intensification of the collection processes in Consumer Finance, which resulted in an increase in the expenses on judicial and notary public fees, but also contributed to reduce the delinquency and increase loan losses recovery.

We emphasize that, in the last few months, the mentioned initiatives for cost reduction and greater operating efficiency already proved to be effective. In "Communications", for instance, savings of 20.7% in relation to 2011 were achieved. Some of the adopted initiatives, however, negatively impacted the short-term result, but will bring a permanent benefit (e.g., reduction in the spaces rented at Rochaverá, Berrini and Paulista offices).

| ADMINISTRATIVE EXPENSES<br>(R\$ Million) | 4Q11         | 3Q12         | 4Q12         | 2011           | 2012           | Variation (%) |            |
|--|--------------|--------------|--------------|----------------|----------------|---------------|------------|
|  |              |              |              |                |                | 4Q12/3Q12     | 2012/2011  |
| Rentals                                  | (34)         | (27)         | (43)         | (134)          | (136)          | 59.2          | 1.4        |
| Communications                           | (27)         | (24)         | (17)         | (101)          | (80)           | (28.4)        | (20.7)     |
| Data processing                          | (40)         | (43)         | (46)         | (152)          | (169)          | 5.3           | 11.1       |
| Services of the financial system         | (47)         | (55)         | (47)         | (168)          | (190)          | (14.8)        | 13.3       |
| Specialized technical services           | (145)        | (117)        | (155)        | (486)          | (492)          | 32.5          | 1.2        |
| Judicial and Notary public fees          | (67)         | (64)         | (74)         | (206)          | (263)          | 14.3          | 27.8       |
| Other                                    | (74)         | (64)         | (61)         | (298)          | (241)          | (3.8)         | (19.1)     |
| <b>Total Administrative Expenses</b>     | <b>(433)</b> | <b>(395)</b> | <b>(443)</b> | <b>(1,545)</b> | <b>(1,572)</b> | <b>12.1</b>   | <b>1.7</b> |

### Personnel Expenses

In 4Q12, personnel expenses totaled R\$279 million, in comparison with R\$221 million in the prior quarter. This increase reflects greater expenses on compensations, payroll charges and benefits due to the collective bargaining agreement of 2012, as well as non-recurring expenses related to the restructuring process.

In 2012, personnel expenses amounted to R\$978 million, growth of 13.9% in relation to the previous year, mainly due to non-recurring expenses connected to the restructuring process.

The accumulated efficiency index of the last 12 months closed Dec.12 at 51.0%, still impacted by non-recurring expenses associated to the restructuring process under way.

At the end of Dec.12, Banco Votorantim had 5,975 employees, considering interns and statutory employees.

### Other Operating Income (Expenses)

Other operating income (expenses) amounted to R\$-140 million in 4Q12, a 13.4% reduction in relation to 3Q12. In the year to date 2012, other operating income (expenses) amounted to R\$-581 million (vs. R\$-249 million in 2011) mostly due to the increase in expenses on labor contingencies, as an effect of the restructuring process under way, which involved integrating corporate areas and adjusting organizational structures to the new Consumer Finance origination level.

#### **Additional considerations on the financial statements disclosed**

Income statement balances as of December 31, 2011 were reclassified to allow comparability of financial statements, as a result of the change in internal aggregation policies of revenues and expenses accounts, having as main objective to provide the user of the statements better understanding of the result of Banco Votorantim.

In addition, we emphasize that: (i) in 1Q12, Banco Votorantim acquired from BV Participações S.A. the total shares of Votorantim Corretora de Seguros S.A. This ownership interest is recorded within "Investments" on the equity method of accounting; and (ii) in 4Q12, the subsidiary BV Financeira changed the criteria for recognizing costs associated to the production of loans and financing incurred after operation origination, in accordance with the detailed explanation in Note 2 of the consolidated financial statements disclosed by Banco Votorantim.

#### **Funding and Liquidity**

After the Bank's success in the expansion of the average term of its funding sources, which resulted in a reduction of the maturity mismatch between assets and liabilities to very conservative and historically low levels, the moderation of the pace of expansion of the loan portfolio substantially reduced the need for additional funding.

In this favorable funding context, in which the Brazilian Central Bank also reduced the basic interest rate (Selic rate), Banco Votorantim has acted for reducing its funding costs. In 2012, the Bank used the funds arising from capital increase, issuance of financing bills, foreign credit lines and credit assignments to BB and to FIDCs to reduce its funding costs. This strategy, which also involved migrating funds to other instruments, such as financing bills and debentures linked to repos, allowed the Bank to reduce the volume of time deposits. This fund migration movement, also observed in the general market, has contributed to the increase of average maturity of the funding sources. At the closing of 2012, the balance of financing bills and debentures linked to repos was as high as 40% of the total funding sources, as compared to 32% in 2011.

In 4Q12, still as part of the funding cost reduction strategy, the Bank conducted an operation of credit assignment with recourse, in the amount of R\$2.3 billion.

The total amount of funds raised reached R\$77.2 billion at the end of Dec.12, a decrease of 1.1% in the quarter and of 10.0% in the last 12 months.

| FUNDING SOURCES<br>(R\$ Billion)  | Dec.11       | Sept.12     | Dec.12       | Variation %  |               |
|---|--------------|-------------|--------------|--------------|---------------|
|   |              |             |              | Dec12/Sept12 | Dec12/Dec11   |
| Depósitos   | 25.6         | 18.4        | 15.5         | (15.9)       | (39.7)        |
| Debentures (associated to Repos)  | 20.7         | 19.8        | 20.2         | 1.9          | (2.4)         |
| Issuance of Securities  | 17.9         | 20.1        | 22.8         | 13.5         | 27.7          |
| Financing Bills   | 7.1          | 9.8         | 11.0         | 11.5         | 53.5          |
| Foreign Securities  | 5.9          | 6.5         | 8.0          | 23.5         | 35.0          |
| Other (LCA and LCI)   | 4.8          | 3.8         | 3.8          | 1.5          | (19.8)        |
| Subordinated Debt   | 7.4          | 8.0         | 7.0          | (13.1)       | (5.5)         |
| Bank Deposit Certificates   | 3.1          | 3.3         | 2.2          | (35.2)       | (30.0)        |
| Subordinated Bills  | 2.2          | 2.6         | 2.7          | 5.2          | 22.4          |
| Financing Bills   | 2.1          | 2.2         | 2.1          | (0.8)        | 1.3           |
| Onlendings  | 6.3          | 5.2         | 5.1          | (1.7)        | (18.8)        |
| Borrowings  | 5.2          | 5.0         | 5.1          | 2.7          | (1.0)         |
| Other funding <sup>1</sup>  | 2.8          | 1.6         | 1.6          | (0.3)        | (44.5)        |
| <b>Total Funding</b>  | <b>85.8</b>  | <b>78.1</b> | <b>77.2</b>  | <b>(1.1)</b> | <b>(10.0)</b> |
| <b>Securitization<sup>2</sup></b>   | <b>20.5</b>  | <b>14.2</b> | <b>14.4</b>  | 1.3          | (29.8)        |
| Credit Assignments with Recourse  | 15.4         | 10.5        | 10.9         | 4.1          | (28.9)        |
| Credit Assignments to FIDCs <sup>3</sup>                                      | 5.2          | 3.7         | 3.5          | (6.5)        | (32.7)        |
| <b>Total Funding and Securitization</b>                                       | <b>106.4</b> | <b>92.3</b> | <b>91.6</b>  | <b>(0.7)</b> | <b>(13.8)</b> |
| <b>International Funding<sup>4</sup>/Total Funding and Securitization (%)</b> | 12.5%        | 15.2%       | <b>17.2%</b> |              |               |
| <b>Loan Portfolio/Total Funding (%)</b>                                       | 68.4         | 74.4        | <b>73.7</b>  |              |               |
| <b>Loan Portfolio/Total Funding, excluding Compulsory Deposits (%)</b>        | 73.4         | 76.0        | <b>74.9</b>  |              |               |

1. Includes Option Box and NCE repos; 2. Includes on balance and off balance assets; 3. Investment funds in credit rights in which Banco Votorantim holds 100% of subordinated quotas; 4. Includes foreign securities, foreign borrowings and subordinated bills.

In relation to liquidity, faced with the uncertainties in the macroeconomic scenario, Banco Votorantim has kept its free cash level prudentially high - above the historical level. Additionally, Banco Votorantim has Stand-by Credit Facility with the shareholder Banco do Brasil, in the approximate amount of R\$7 billion, which represents a significant liquidity reserve that has never been used.

## Basel Ratio

The prudential adjustment process in progress, which started in 4Q11, has the full support of the shareholders (Banco do Brasil and Votorantim Finanças), who are committed to maintaining the Bank's capital structure at appropriate levels. In Jun.12, the shareholders performed an increase in the Bank's capital of R\$ 2.0 billion, involving equal contributions of R\$ 1.0 billion each. This shareholders' commitment also extends to the preparation of Banco Votorantim to the new regulatory context of Basel III.

The basel ratio closed Dec.12 at 14.3% (9.3% as Tier I), recording a 20 base points increase in relation to Dec.11 and keeping above the 11% minimum established by Resolution 2,099/94 of the National Monetary Council.

| BASEL RATIO<br>(R\$ Million)   | Dec.11        | Sept.12       | Dec.12        |
|--------------------------------|---------------|---------------|---------------|
| <b>Capital (a)</b>             | <b>12,054</b> | <b>13,002</b> | <b>12,111</b> |
| Level I                        | 8,086         | 8,449         | 7,875         |
| Level II                       | 3,968         | 4,553         | 4,236         |
| <b>Capital Requirement (b)</b> | <b>9,386</b>  | <b>9,396</b>  | <b>9,310</b>  |
| <b>Excess of Capital</b>       | <b>2,668</b>  | <b>3,606</b>  | <b>2,800</b>  |
| <b>Basel Ratio (a/b/0.11)</b>  | <b>14.1%</b>  | <b>15.2%</b>  | <b>14.3%</b>  |
| Tier I                         | 9.5%          | 9.9%          | 9.3%          |
| Tier II                        | 4.7%          | 5.3%          | 5.0%          |

## Ratings

Banco Votorantim holds investment grade ratings from the three leading international rating agencies, in recognition of its capacity to honor its commitments.

| RATING AGENCIES   |   | National          | International |
|-------------------|---|-------------------|---------------|
| Fitch Ratings     | Foreign Currency IDR (LT/ST)                  | -                 | BBB- /F3      |
|                   | Local Currency IDR (LT/ST)                    | -                 | BBB- /F3      |
|                   | National Scale (LT/ST)                        | AA+(bra)/F1+(bra) | -             |
| Moody's           | Foreign Currency Senior Unsecured MTN (LT/ST) | -                 | Baa2/P-2      |
|                   | Foreign Currency Deposits (LT/ST)             | -                 | Baa2/P-2      |
|                   | Local Currency Deposits (LT/ST)               | Aaa.br/BR-1       | Baa2/P-2      |
| Standard & Poor's | Foreign Currency (LT/ST)                      | -                 | BBB- /A-3     |
|                   | Local Currency (LT/ST)                        | -                 | BBB- /A-3     |
|                   | National Scale (LT/ST)                        | brAAA/brA-1       | -             |

LT: Long-Term / ST: Short-Term

## Recent Developments in Businesses

### Wholesale Bank Businesses:

- Corporate & Investment Banking (CIB):** formed by groups with annual revenues of more than R\$400 million, CIB closed 2012 with an expanded loan portfolio of R\$31.8 billion (R\$30,2 billion in 2011) and maintained its strategy of being one of the main partners of its clients, providing integrated loan solutions, structured products, derivatives (hedging) and investment bank services:
  - Derivatives:** CIB has made significant investments in the derivatives platform and closed Dec. 12 among the ten largest banks in the CETIP ranking, with market share above 3%;
  - Investment Bank** (base date, Nov.12): (i) Fixed Income: completion of 42 operations, totaling R\$27 billion, 27 of which as a Leading Coordinator, placing the Bank in the 6<sup>th</sup> place in the Anbima ranking for distribution of consolidated fixed income; (ii) Variable Income: completion of three operations totaling R\$1.4 billion, placing the Bank in the 9<sup>th</sup> position in the Anbima ranking in number of operations, with a highlight for its participation as a joint bookrunner in Locamérica's IPO; (iii) M&A: announcement of 7 operations (volume of R\$4.4 billion), placing the Bank in the 9<sup>th</sup> position in Anbima ranking of M&A in number of advised transactions;
  - Project Finance:** completion and disbursement of R\$2.4 billion in 2012, of which R\$1.7 billion referred to operations advised and/or structured by the Bank itself. Furthermore, the Bank participated, as a financial advisor, of auctions of airports, transmission lines, energy generation, sewage systems, roads, and other projects; and
  - Corporate Finance:** structuring and disbursement of 35 operations in 2012, such as financing of acquisitions, syndicated loans and other structured operations, totaling R\$1.7 billion.

The above figures reinforce the positioning and focus of Banco Votorantim in consolidating its relationship with its clients in this segment through products which have a higher added value.

- Middle Market:** made up of companies with annual revenues between R\$20 million and R\$400 million, at the end of Dec.12, Middle Market segment had an expanded loan portfolio of R\$9.5 billion, a 5.4% growth in 12 months. The moderating of the pace of growth in 2012 is related to the more conservative posture, in view of the lower pace of economic activity. In addition, we emphasize that, in Nov.12, Middle Market started concentrating its operations on clients with annual revenues from R\$50 million to R\$400 million.
- VAM:** focuses on the structuring and management of innovative products with high quality and high added value, VAM increased by 10% its volume of managed funds in the last 12 months; and, at the end of Dec.12 was the 9<sup>th</sup> largest asset manager according to the ranking of managers disclosed by Anbima, with a 1.9% market share. In recognition to the consistency of its performance, VAM was highlighted in important

rankings, such as "Guia Exame de Investimentos Pessoais 2012", awarded in the categories of best manager of the year in "Fundos de Atacado – Wholesale Funds" and "Fundos Multimercados Ativo - Multimarket Funds", in addition to having had several of its funds awarded with 4 and 5 stars in the Star Ranking, drawn up by Standard & Poor's and disclosed by Valor Investe Magazine. Reiterating its adopted good practices, VAM had its ISO 9001:08 certification reaffirmed in Jun.12 by the Veritas Certification Bureau, and in Nov.12 it maintained the top classification (AMP-1 – Very strong) by Standard & Poor's regarding its asset management practices.

- **Private Bank:** reached a 10.7% growth in the volume of managed assets over the last 12 months, focusing on integrated estate planning through customized solutions. Due to its adherence to its high-quality commitments, in April 2012 the Private Bank earned from Veritas Certification Bureau the ISO 9001:08 Certification for activities involving relationship, asset management and advisory services for private bank clients in Brazil.
- **Votorantim Corretora:** Votorantim Corretora received the certifications of the Operational Qualification Program (PQO) for the Bovespa and BM&F segments. The eight seals received evidence Votorantim Corretora's expertise for operating in the derivatives and equity markets. In addition, it strengthened its Research team, which started to cover 11 sectors of the economy and 79 companies in the end of Dec.12, thus reinforcing its positioning as a full broker.
- **Treasury:** continued the process of revising and expanding the scope of its activities, focusing on facilitating businesses with Wholesale bank clients. Furthermore, continued to reinforce its Derivatives team (Structuring and Sales) and to promote the integration of new teams to sell loan products, spot foreign exchange and funding transactions. As a result, a competitive sales platform was established in line with the Bank's commercial segments and good market practices.

### Consumer Finance Businesses

- **Auto Finance Loans:** there was an intensification of the focus on multi-brand dealers (used vehicles) for origination of credit assets targeting own portfolio. In Dec.12, this distribution channel accounted for 78% of the light vehicles financings originated by BV Financeira. The bank's quality improvements in origination during 2012, which was translated into a lower risk in the recent vintages and also in the increase of approval of good clients, resulted in the growth of the auto finance production starting in Nov.12, again placing BV Financeira in the leading position in used auto finance operations;
- **Payroll loans:** the own portfolio of payroll loans remained stable in 4Q12, totaling R\$7.2 billion. BV Financeira operates in this segment through promoters (banking correspondents), with a focus on the National Institute of Social Security (INSS), which accounted for 69% of the loans granted in the quarter;
- **Credit cards:** the base of active cards amounted to 372 thousand at the end of Dec.12, a 7.5% expansion over the last 12 months; and
- **Insurance:** revenues from insurance commissions amounted to R\$37 million in 4Q12 (R\$119 million in 2012), an expansion of more than 20% in relation to the previous quarter. In the same period, insurance was sold to around 70% of the vehicles financed by BV Financeira.

### Advances in the Strategic Partnership with Banco do Brasil

Since September 2009, a strategic partnership is in place in Banco Votorantim between Banco do Brasil (BB) and Votorantim Finanças, through which BB started holding 50% of Banco Votorantim's total capital.

This partnership has a strong strategic rationale and long-term view, and has allowed the exploitation of business opportunities in several segments, among which stand out:

- **Development of the credit asset origination model ("BV Originadora – BVO"):** Banco Votorantim and BB advanced in the structuring of a model of direct origination of credit assets to BB, ("BV Originadora – BVO") which will be focused on new car dealers. Based on this new model, to be implemented in 2013, Banco Votorantim will be in charge of the sales force in new car dealers, whereas BB will be in charge of the web portal for proposal entry, policy and credit analysis, operation funding and pricing as well as the post sale and collection activities.



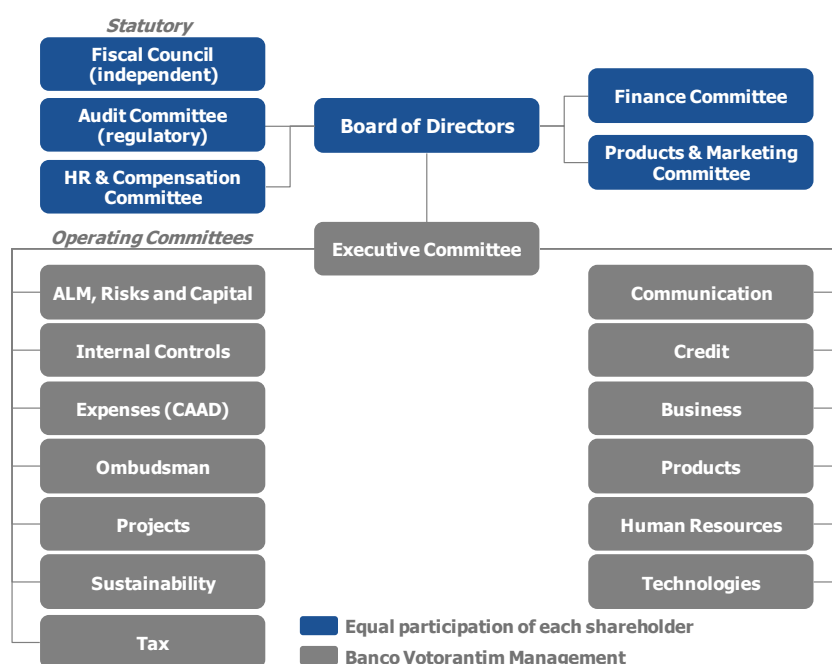
- **“Mais BB” Project:** in the consumer finance segment, BV Financeira has acted as manager of a network of sales promoters to offer payroll loans at the branches of BB. Originated loans are recorded directly in BB’s balance sheet, and Banco Votorantim receives a fee for the origination. In 2012, this operation generated revenues of R\$26 million in commissions.
- **Offer of investment products:** BB DTVM and VWM&S have made a joint effort in the development, administration, management and distribution of innovative and customized Credit Receivables Investment Funds (FIDCs), Real Estate Investment Funds (FIIs), Equity Investment Funds (FIPs) and Private Credit. At the end of 2012, the total volume of funds related to this partnership amounted to R\$3.3 billion, being the management thereof performed by VAM. The 4Q12 highlight was the real estate investment fund “BB Progressivo II”, comprising 64 properties – commercial buildings and branches leased to BB for 10 years. The R\$1.6 billion public offer reached a demand of over R\$20 billion and had the participation of about 48 thousand investors;
- **Expansion of the business of CIB:** deepening of the partnership with BB in the Corporate & Investment Banking businesses, focusing on credit origination, structured products, derivatives (hedging), mandates for issues of shares and bonds in the international market.
- **Expansion of the business of Votorantim Corretora:** participation of Votorantim Corretora in the distribution of capital market operations structured by BB. In addition, BB uses the Votorantim brokerage firm to transact proprietary positions, investment funds and its consumer finance segment (via BB’s home broker).

## Corporate Governance

Banco Votorantim’s governance is divided between the two shareholders, with a model under continuous improvement to achieve more robustness and transparency, ensuring agility in decision-making processes — a strong characteristic of Banco Votorantim.

Governance is organized in two complementary levels of authority: the first is composed of the Board of Directors and its Advisory Committees (Finance, Products and Marketing, and Compensation and Human Resources), and involves the shareholders; the second is composed of the Executive Committee and its Operational Committees involving the executive leaders of Banco Votorantim.

In addition, Banco Votorantim counts on a Fiscal Council, which is an independent body created to supervise the administrative management acts of Banco Votorantim, and an Audit Committee, which provides advice to the Board of Directors.



As part of its Change Agenda, in 2012 Banco Votorantim progressed in the integration of its corporate areas – Legal, Risk, Finance, HR, Operations and Technology, all of which worked separately in the past. With those changes, Banco Votorantim started operating in an integrated way, with two business units (Wholesale and Consumer Finance) which are served by corporate areas, with efficiency and governance gains.

In 2012, Banco Votorantim continued with the process of improving its governance with the establishment of the “Compensation and Human Resources” committee to provide advice to the Board of Directors. This committee contains representatives of both the shareholders, besides the CEO of the Bank and an independent member, who meet on a quarterly basis to keep track of and decide on matters related to the Director’s Compensation Policy and HR practices within the jurisdiction of the Board of Directors. Also in 2012, Banco Votorantim hired several experienced market professionals in areas such as Consumer Finance Business, Consumer Finance Credit and Collection, Wholesale Credit, Middle Market, Internal Auditing and Finance, among others.

## Balance Sheet

| BALANCE SHEET<br>(R\$ Million)                  | Dec.11         | Sept.12        | Dec.12         | Variation %  |               |
|---|----------------|----------------|----------------|--------------|---------------|
|   |                |                |                | Dec12/Sept12 | Dec12/Dec11   |
| <b>ASSETS</b>                                   |                |                |                |              |               |
| <b>CURRENT ASSETS</b>                           | <b>63.348</b>  | <b>54.091</b>  | <b>64.119</b>  | <b>18,5</b>  | <b>1,2</b>    |
| Cash and cash equivalents                       | 188            | 141            | 155            | 10,2         | (17,3)        |
| Interbank Funds Applied                         | 15.949         | 9.654          | 16.563         | 71,6         | 3,8           |
| Securities and Derivative Financial Instruments | 12.400         | 11.565         | 14.096         | 21,9         | 13,7          |
| Interbank Accounts/Relations                    | 6.033          | 1.836          | 1.310          | (28,7)       | (78,3)        |
| Loans   | 23.017         | 23.865         | 23.670         | (0,8)        | 2,8           |
| Leases  | 2.737          | 1.843          | 1.578          | (14,4)       | (42,3)        |
| Other Receivables                               | 2.681          | 4.895          | 6.476          | 32,3         | 141,6         |
| Other Assets                                    | 345            | 293            | 271            | (7,4)        | (21,3)        |
| <b>LONG-TERM ASSETS</b>                         | <b>48.258</b>  | <b>57.063</b>  | <b>56.502</b>  | <b>(1,0)</b> | <b>17,1</b>   |
| Interbank Funds Applied                         | 358            | 163            | 199            | 22,0         | (44,4)        |
| Securities and Derivative Financial Instruments | 14.333         | 23.923         | 23.068         | (3,6)        | 60,9          |
| Loans   | 28.688         | 26.669         | 26.493         | (0,7)        | (7,7)         |
| Leases  | 379            | 281            | 234            | (16,8)       | (38,2)        |
| Other Receivables                               | 3.577          | 4.894          | 5.600          | 14,4         | 56,6          |
| Other Assets                                    | 924            | 1.134          | 908            | (19,9)       | (1,7)         |
| <b>FIXED ASSETS</b>                             | <b>244</b>     | <b>405</b>     | <b>416</b>     | <b>2,8</b>   | <b>70,5</b>   |
| Investments                                     | 63             | 227            | 247            | 8,9          | 293,4         |
| Fixed Assets for Use                            | 110            | 101            | 90             | (10,1)       | (18,1)        |
| Intangible                                      | 40             | 49             | 51             | 3,6          | 27,1          |
| Deferred Charges                                | 31             | 28             | 27             | (2,6)        | (11,1)        |
| <b>TOTAL ASSETS</b>                             | <b>111.851</b> | <b>111.559</b> | <b>121.037</b> | <b>8,5</b>   | <b>8,2</b>    |
| <b>LIABILITIES</b>                              |                |                |                |              |               |
| <b>CURRENT LIABILITIES</b>                      | <b>65.736</b>  | <b>68.453</b>  | <b>76.799</b>  | <b>12,2</b>  | <b>16,8</b>   |
| Deposits  | 19.634         | 14.661         | 12.170         | (17,0)       | (38,0)        |
| Demand Deposits                                 | 432            | 306            | 282            | (8,0)        | (34,8)        |
| Interbank Deposits                              | 1.624          | 1.682          | 993            | (40,9)       | (38,8)        |
| Time Deposits                                   | 17.578         | 12.674         | 10.895         | (14,0)       | (38,0)        |
| Money Market Borrowings                         | 29.141         | 32.325         | 38.572         | 19,3         | 32,4          |
| Acceptances and Endorsements                    | 5.156          | 6.737          | 7.756          | 15,1         | 50,4          |
| Interbank Accounts / Relations                  | -              | 4              | -              | (100,0)      | -             |
| Interbranch Accounts                            | 123            | 37             | 39             | 4,9          | (68,2)        |
| Borrowings and Onlendings                       | 5.307          | 6.222          | 7.192          | 15,6         | 35,5          |
| Derivative Financial Instruments                | 2.883          | 1.601          | 1.512          | (5,6)        | (47,6)        |
| Other Liabilities                               | 3.492          | 6.866          | 9.558          | 39,2         | 173,7         |
| <b>LONG-TERM LIABILITIES</b>                    | <b>38.248</b>  | <b>34.238</b>  | <b>35.994</b>  | <b>5,1</b>   | <b>(5,9)</b>  |
| Deposits  | 5.991          | 3.711          | 3.284          | (11,5)       | (45,2)        |
| Interbank Deposits                              | 1.232          | 1.296          | 1.363          | 5,2          | 10,7          |
| Time Deposits                                   | 4.759          | 2.415          | 1.921          | (20,5)       | (59,6)        |
| Money Market Borrowings                         | 4.394          | 3.892          | 3.747          | (3,7)        | (14,7)        |
| Acceptances and Endorsements                    | 12.710         | 13.373         | 15.064         | 12,6         | 18,5          |
| Borrowings and Onlendings                       | 6.171          | 3.967          | 3.044          | (23,3)       | (50,7)        |
| Derivative Financial Instruments                | 520            | 1.020          | 1.183          | 16,0         | 127,4         |
| Other Liabilities                               | 8.461          | 8.275          | 9.671          | 16,9         | 14,3          |
| <b>DEFERRED INCOME</b>                          | <b>42</b>      | <b>38</b>      | <b>34</b>      | <b>(9,8)</b> | <b>(17,9)</b> |
| <b>SHAREHOLDERS' EQUITY</b>                     | <b>7.824</b>   | <b>8.829</b>   | <b>8.210</b>   | <b>(7,0)</b> | <b>4,9</b>    |
| <b>TOTAL LIABILITIES</b>                        | <b>111.851</b> | <b>111.559</b> | <b>121.037</b> | <b>8,5</b>   | <b>8,2</b>    |

## Managerial Income Statement

| INCOME STATEMENT<br>(R\$ Million)                         | 4Q11           | 3Q12           | 4Q12           | 2011            | 2012           | Variation (%)  |                |
|---|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
|   |                |                |                |                 |                | 4Q12/3Q12      | 2012/2011      |
| <b>Income from Financial Intermediation</b>               | <b>3,241</b>   | <b>3,165</b>   | <b>3,236</b>   | <b>16,176</b>   | <b>13,660</b>  | <b>2.2</b>     | <b>(15.6)</b>  |
| Loans   | 2,993          | 2,167          | 2,034          | 11,153          | 8,849          | (6.1)          | (20.7)         |
| Leases  | 115            | 88             | 82             | 495             | 382            | (6.9)          | (22.8)         |
| Securities  | 771            | 1,081          | 1,391          | 4,858           | 4,940          | 28.7           | 1.7            |
| Derivative Financial Instruments                          | (806)          | (265)          | (406)          | (1,098)         | (1,031)        | 53.2           | (6.1)          |
| Foreign Exchange Operations                               | 11             | 23             | 32             | 107             | 161            | 40.8           | 51.1           |
| Compulsory Deposits                                       | 158            | 45             | 22             | 663             | 251            | (51.6)         | (62.1)         |
| Sale or transfer operation from financial assets          | -              | 26             | 81             | -               | 108            | 208.1          | -              |
| <b>Expenses from Financial Intermediation</b>             | <b>(2,339)</b> | <b>(2,044)</b> | <b>(2,079)</b> | <b>(11,035)</b> | <b>(9,148)</b> | <b>1.7</b>     | <b>(17.1)</b>  |
| Money Market Borrowings                                   | (2,218)        | (1,863)        | (1,872)        | (10,129)        | (8,252)        | 0.5            | (18.5)         |
| Borrowings and Onlendings                                 | (121)          | (174)          | (145)          | (906)           | (808)          | (16.7)         | (10.8)         |
| Foreign Exchange Operations                               | -              | -              | -              | -               | (19)           | -              | -              |
| Sale or transfer operation from financial assets          | -              | (8)            | (62)           | -               | (70)           | 701.3          | -              |
| <b>Net Interest Income</b>                                | <b>902</b>     | <b>1,120</b>   | <b>1,156</b>   | <b>5,142</b>    | <b>4,511</b>   | <b>3.2</b>     | <b>(12.3)</b>  |
| Allowance for Loan Losses                                 | (1,294)        | (1,286)        | (951)          | (3,507)         | (5,092)        | (26.0)         | 45.2           |
| <b>Net Financial Margin</b>                               | <b>(392)</b>   | <b>(166)</b>   | <b>205</b>     | <b>1,634</b>    | <b>(580)</b>   | <b>(223.6)</b> | <b>(135.5)</b> |
| <b>Other Operating Income / Expenses</b>                  | <b>(668)</b>   | <b>(628)</b>   | <b>(712)</b>   | <b>(2,032)</b>  | <b>(2,505)</b> | <b>13.3</b>    | <b>23.3</b>    |
| Fee Income/ Banking Fees Income                           | 288            | 256            | 286            | 1,247           | 1,035          | 11.7           | (17.0)         |
| Personnel Expenses  | (209)          | (221)          | (279)          | (859)           | (978)          | 26.2           | 13.9           |
| Other Administrative Expenses                             | (433)          | (395)          | (443)          | (1,545)         | (1,572)        | 12.1           | 1.7            |
| Tax Expenses  | (149)          | (126)          | (128)          | (626)           | (479)          | 1.6            | (23.3)         |
| Equity in Income of Associated Companies and Subsidiaries | (0)            | 18             | 22             | (0)             | 70             | 21.3           | -              |
| Other Operational Income                                  | (164)          | (161)          | (171)          | (249)           | (581)          | 5.8            | 133.0          |
| <b>Operating Income (Loss)</b>                            | <b>(1,060)</b> | <b>(794)</b>   | <b>(507)</b>   | <b>(398)</b>    | <b>(3,085)</b> | <b>(36.2)</b>  | <b>675.0</b>   |
| <b>Non-Operating Income (Loss)</b>                        | <b>18</b>      | <b>(43)</b>    | <b>(24)</b>    | <b>28</b>       | <b>(139)</b>   | <b>(45.4)</b>  | <b>(602.5)</b> |
| <b>Income (Loss) before Taxation and Profit Sharing</b>   | <b>(1,042)</b> | <b>(838)</b>   | <b>(530)</b>   | <b>(370)</b>    | <b>(3,224)</b> | <b>(36.7)</b>  | <b>770.7</b>   |
| Provision for Income Tax and Social Contribution          | 484            | 377            | 292            | 538             | 1,600          | (22.5)         | 197.1          |
| Profit Sharing  | (85)           | (36)           | (120)          | (355)           | (363)          | 230.1          | 2.1            |
| <b>Net Income (Loss)</b>                                  | <b>(643)</b>   | <b>(497)</b>   | <b>(358)</b>   | <b>(187)</b>    | <b>(1,988)</b> | <b>(28.0)</b>  | <b>960.9</b>   |

## Managed Loan Portfolio by Risk Level

### Consolidated

| RISK<br>(R\$ Million) | Dec.11        |              |               | Sept.12       |              |               | Dec.12        |              |               |
|-----------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
|                       | Balance       | Provision    | Part. %       | Balance       | Provision    | Part. %       | Balance       | Provision    | Part. %       |
| AA                    | 13,322        | -            | 16.8%         | 8,152         | -            | 11.4%         | 8,095         | -            | 11.8%         |
| A                     | 51,948        | 260          | 65.5%         | 44,112        | 221          | 61.7%         | 39,497        | 197          | 57.8%         |
| B                     | 5,067         | 51           | 6.4%          | 7,524         | 75           | 10.5%         | 8,700         | 87           | 12.7%         |
| C                     | 3,103         | 93           | 3.9%          | 4,328         | 130          | 6.1%          | 5,371         | 161          | 7.9%          |
| D                     | 1,449         | 145          | 1.8%          | 1,664         | 166          | 2.3%          | 1,617         | 175          | 2.4%          |
| E                     | 1,153         | 377          | 1.5%          | 1,230         | 402          | 1.7%          | 1,109         | 366          | 1.6%          |
| F                     | 637           | 318          | 0.8%          | 644           | 322          | 0.9%          | 560           | 280          | 0.8%          |
| G                     | 700           | 490          | 0.9%          | 758           | 530          | 1.1%          | 612           | 428          | 0.9%          |
| H                     | 1,889         | 1,941        | 2.4%          | 3,068         | 3,068        | 4.3%          | 2,823         | 2,823        | 4.1%          |
| <b>TOTAL</b>          | <b>79,268</b> | <b>3,675</b> | <b>100.0%</b> | <b>71,481</b> | <b>4,914</b> | <b>100.0%</b> | <b>68,385</b> | <b>4,518</b> | <b>100.0%</b> |
| <b>AA-C</b>           | <b>73,440</b> | <b>404</b>   | <b>92.6%</b>  | <b>64,117</b> | <b>426</b>   | <b>89.7%</b>  | <b>61,664</b> | <b>446</b>   | <b>90.2%</b>  |
| <b>D-H</b>            | <b>5,828</b>  | <b>3,272</b> | <b>7.4%</b>   | <b>7,363</b>  | <b>4,489</b> | <b>10.3%</b>  | <b>6,721</b>  | <b>4,072</b> | <b>9.8%</b>   |

### Wholesale

| RISK<br>(R\$ Million) | Dec.11        |            |               | Sept.12       |            |               | Dec.12        |            |               |
|-----------------------|---------------|------------|---------------|---------------|------------|---------------|---------------|------------|---------------|
|                       | Balance       | Provision  | Part. %       | Balance       | Provision  | Part. %       | Balance       | Provision  | Part. %       |
| AA                    | 10,514        | -          | 50.3%         | 7,586         | -          | 37.4%         | 7,484         | -          | 38.3%         |
| A                     | 5,557         | 28         | 26.6%         | 6,202         | 31         | 30.6%         | 5,787         | 29         | 29.6%         |
| B                     | 2,604         | 26         | 12.5%         | 3,550         | 35         | 17.5%         | 3,560         | 36         | 18.2%         |
| C                     | 1,068         | 32         | 5.1%          | 1,232         | 37         | 6.1%          | 1,113         | 33         | 5.7%          |
| D                     | 310           | 31         | 1.5%          | 599           | 60         | 3.0%          | 545           | 68         | 2.8%          |
| E                     | 405           | 153        | 1.9%          | 514           | 187        | 2.5%          | 486           | 179        | 2.5%          |
| F                     | 34            | 17         | 0.2%          | 72            | 36         | 0.4%          | 59            | 30         | 0.3%          |
| G                     | 188           | 132        | 0.9%          | 48            | 34         | 0.2%          | 40            | 28         | 0.2%          |
| H                     | 235           | 235        | 1.1%          | 463           | 463        | 2.3%          | 457           | 457        | 2.3%          |
| <b>TOTAL</b>          | <b>20,916</b> | <b>654</b> | <b>100.0%</b> | <b>20,266</b> | <b>884</b> | <b>100.0%</b> | <b>19,531</b> | <b>859</b> | <b>100.0%</b> |
| <b>AA-C</b>           | <b>19,743</b> | <b>86</b>  | <b>94.4%</b>  | <b>18,570</b> | <b>103</b> | <b>91.6%</b>  | <b>17,944</b> | <b>98</b>  | <b>91.9%</b>  |
| <b>D-H</b>            | <b>1,172</b>  | <b>568</b> | <b>5.6%</b>   | <b>1,697</b>  | <b>780</b> | <b>8.4%</b>   | <b>1,587</b>  | <b>761</b> | <b>8.1%</b>   |

### Consumer Finance

| RISK<br>(R\$ Million) | Dec.11        |              |               | Sept.12       |              |               | Dec.12        |              |               |
|-----------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
|                       | Balance       | Provision    | Part. %       | Balance       | Provision    | Part. %       | Balance       | Provision    | Part. %       |
| AA                    | 2,807         | -            | 4.8%          | 566           | -            | 1.1%          | 611           | -            | 1.3%          |
| A                     | 46,392        | 232          | 79.5%         | 37,910        | 190          | 74.0%         | 33,710        | 169          | 69.0%         |
| B                     | 2,463         | 25           | 4.2%          | 3,974         | 40           | 7.8%          | 5,140         | 51           | 10.5%         |
| C                     | 2,035         | 61           | 3.5%          | 3,097         | 93           | 6.0%          | 4,259         | 128          | 8.7%          |
| D                     | 1,139         | 114          | 2.0%          | 1,065         | 106          | 2.1%          | 1,072         | 107          | 2.2%          |
| E                     | 748           | 224          | 1.3%          | 716           | 215          | 1.4%          | 624           | 187          | 1.3%          |
| F                     | 603           | 301          | 1.0%          | 572           | 286          | 1.1%          | 500           | 250          | 1.0%          |
| G                     | 512           | 358          | 0.9%          | 709           | 497          | 1.4%          | 572           | 401          | 1.2%          |
| H                     | 1,654         | 1,706        | 2.8%          | 2,605         | 2,605        | 5.1%          | 2,366         | 2,366        | 4.8%          |
| <b>TOTAL</b>          | <b>58,352</b> | <b>3,021</b> | <b>100.0%</b> | <b>51,214</b> | <b>4,031</b> | <b>100.0%</b> | <b>48,854</b> | <b>3,659</b> | <b>100.0%</b> |
| <b>AA-C</b>           | <b>53,697</b> | <b>318</b>   | <b>92.0%</b>  | <b>45,547</b> | <b>322</b>   | <b>88.9%</b>  | <b>43,720</b> | <b>348</b>   | <b>89.5%</b>  |
| <b>D-H</b>            | <b>4,656</b>  | <b>2,704</b> | <b>8.0%</b>   | <b>5,667</b>  | <b>3,709</b> | <b>11.1%</b>  | <b>5,134</b>  | <b>3,311</b> | <b>10.5%</b>  |

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