2Q16 Earnings Release

Contents

São Paulo, August 11, 2016. Banco Votorantim S.A. ("Bank") announces its results for the second quarter of 2016 (2Q16). All financial information herein, except where indicated otherwise, is presented in nominal Brazilian Reais, based on consolidated numbers, and in accordance with the Brazilian GAAP (BRGAAP) accounting standards and the Brazilian Corporate Law.

Message from the CEO

1H16 was marked by an extremely challenging macroeconomic scenario, but in spite of this context we generated consistent results in the period.

The main highlights were:

- **Net income of R$ 108 million**, against R$ 86 million in 1Q16. In 1H16, net income totaled R$ 194 million, against R$ 268 million in 1H15. Consequently, shareholders' equity totaled R$ 8,282 million in Jun.16.
- **Consistent revenue generation.** Net Interest Income (NII) amounted to R$ 1,163 million in 2Q16, down 5.7% in comparison to 1Q16, largely due to a conservative lending stance. The average annualized rate of the net interest margin (NIM) reached 4.9% in 2Q16, as compared to 5.1% in the previous quarter. It is worth emphasizing that the revenues from services and insurance grew 12.3% in the 1H16/1H15 comparison, practically offsetting the 3.0% reduction observed in NII on the same basis of comparison.
- **Maintenance of conservative approach to credit.** Expanded credit portfolio closed Jun.16 at R$59.4 billion, a decrease of 10.9% in the last 12 months and of 4.0% in the last quarter. In relation to Mar.16, the greatest reduction occurred in the Wholesale portfolio, while the auto finance portfolio remained practically stable at R$ 27.5 billion.
- **Delinquency under control.** The 90-day NPL ratio of the consolidated portfolio ended remained stable in relation to Mar.16, at 4.6%. The ratio was down to 2.0% in Wholesale, an improvement of 0.4 p.p. over Mar.16. It is worth emphasizing that the 90-day NPL ratio of our auto finance portfolio has remained practically stable in the last 12 months, having ended Jun.16 at 5.38%, while the market indicator (according to Bacen) grew 0.6 p.p. in the same period.
- **Effective cost management.** Administrative and personnel expenses decreased nominally 0.7% in the 1H16/1H15 comparison, despite the inflation for the period (IPCA of 8.8% in the last 12 months). As a result of our strict cost control, our Efficiency Ratio for the last 12 months remains below the 40% threshold (Jun.16: 39.7%).

In addition, we maintained our conservative attitude in the management of funding, liquidity and capital, enhancing the quality of our credit risk. In Jun.16, funding sources through Bills (financing bills, agribusiness credit bills and real estate credit bills) and credit assignments (with recourse) to Banco do Brasil represented almost the half (R$ 33.5 billion) of our funding, contributing to extend the average term of our liabilities. In terms of liquidity, we ended Jun.16 with cash at a record level, more than sufficient to fully cover our funding with daily liquidity. Regarding capital, the Basel Ratio ended Jun.16 at 14.9% - above the regulatory minimum capital of 10.5% - in Tier I Capital of 10.6%, composed entirely of Principal Capital.

The good quality of results achieved in 1H16 confirms the continuous progress of our "agenda of sustainable growth of results", composed of three pillars:

- Increase of the profitability of current and new businesses;
- Increase of operational efficiency; and
- Building of synergies with shareholder Banco do Brasil.

Corporate strategy

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

Wholesale Bank Businesses (CIB)

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

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

Wealth Management Business (VWM&S)

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

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

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

Consumer Finance business

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

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

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

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

Key Information

	2Q15	1Q16	2Q16	1H15	1H16	Variation 2Q16/1Q16	Variation 1H16/1H15
RESULTS (R$ Million)							
Net Interest Income (a)	1,291	1,233	1,163	2,470	2,397	-5.7%	-3.0%
Alowance for loan losses - ALL (b)	(448)	(508)	(457)	(866)	(965)	-10.0%	11.4%
Net Financial Margin (a - b)	843	726	706	1,604	1,432	-2.7%	-10.7%
Income from services and banking fees	220	257	264	463	521	3.0%	12.6%
Personnel and administrative expenses	(584)	(556)	(601)	(1,165)	(1,157)	8.1%	-0.7%
Operating Income (loss)	205	175	159	426	334	-8.8%	-21.6%
Net Income (loss)	146	86	108	268	194	25.5%	-27.4%
MANAGEMENT INDICATORS (%)							
Return on Average Equity[1] (ROAE)	7.7	4.5	5.4	7.1	4.9	0.9 p.p.	-2.2 p.p.
Return on Average Assets[2] (ROAA)	0.6	0.3	0.4	0.5	0.4	0.1 p.p.	-0.1 p.p.
Net Interest Margin[3] (NIM)	5.5	5.1	4.9	5.3	5.0	-0.2 p.p.	-0.3 p.p.
Efficiency Ratio (ER) - accumulated of 12 months[4]	38.5	39.1	39.7	38.5	39.7	0.6 p.p.	1.0 p.p.
Basel ratio	14.86	14.39	14.92	14.86	14.92	0.5 p.p.	0.1 p.p.
Tier I Capital Ratio	9.6	9.7	10.6	9.6	10.6	0.9 p.p.	1.0 p.p.
MACROECONOMIC INDICATORS[5]							
CDI - in the period (%)	3.0	3.3	3.4	5.9	6.7	0.1 p.p.	0.8 p.p.
Selic rate- end of the period (p.y.%)	13.75	14.25	14.25	13.75	14.25	0.0 p.p.	0.5 p.p.
IPCA - in the period (%)	2.3	2.6	1.8	6.2	4.4	-0.9 p.p.	-1.8 p.p.
Dolar exchange rate - end of the period (R$)	3.10	3.56	3.21	3.10	3.21	-9.8%	3.5%
EMBI Brazil Risk (points)	302	409	350	302	350	-59	48

	Jun.15	Mar.16	Jun.16	Variation Jun.16/Mar.16	Variation Jun.16/Jun.15
BALANCE SHEET (R$ Million)					
Total assets	103,335	109,307	108,028	-1.2%	4.5%
Loan portfolio (on-balance)	51,761	48,663	46,875	-3.7%	-9.4%
Wholesale segment	16,675	15,191	13,735	-9.6%	-17.6%
Consumer Finance segment	35,086	33,472	33,140	-1.0%	-5.5%
Guarantees provided	9,344	7,846	7,805	-0.5%	-16.5%
Expanded credit Portfolio	66,663	61,887	59,417	-4.0%	-10.9%
Funding sources	73,980	72,307	67,520	-6.6%	-8.7%
Shareholders' equity	7,847	8,080	8,282	2.5%	5.5%
Capital (Basel ratio)	10,967	9,742	9,675	-0.7%	-11.8%
LOAN PORTFOLIO QUALITY INDICATORS[6] (%)					
90-day NPL / Managed loan portfolio	5.2	4.6	4.6	0.0 p.p.	-0.6 p.p.
Allowance for loan losses / 90-day NPL	146	145	148	3.0 p.p.	2.0 p.p.
Allowance for loan losses / D - H balance	74.2	70.9	69.8	-1.1 p.p.	-4.4 p.p.
Allowance for loan losses / Managed loan portfolio	7.6	6.7	6.9	0.2 p.p.	-0.7 p.p.
OTHER INFORMATION					
AuM[7] (R$ Million)	43,756	51,154	51,169	0.0%	16.9%

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

Managerial Statement of Income

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

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

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

Reconciliation of Audited and Managerial Net Income – 1Q16 and 2Q16

INCOME STATEMENT (R$ Million)	1Q16 Audited	Adjustments	1Q16 Managerial	2Q16 Audited	Adjustments	2Q16 Managerial
Income from financial intermediation	**3,506**	**83**	**3,589**	**3,646**	**(469)**	**3,176**
Loans[1]	2,593	(141)	2,452	2,272	(140)	2,132
Leases	10	-	10	9	-	9
Securities	834	530	1,364	1,179	-	1,179
Derivative financial instruments	267	(306)	(38)	290	(330)	(40)
Foreign exchange operations	(201)	-	(201)	(118)	-	(118)
Compulsory deposits	3	-	3	13	-	13
Expenses from financial intermediation	**(2,355)**	**-**	**(2,355)**	**(2,013)**	**-**	**(2,013)**
Money market borrowings	(1,847)	-	(1,847)	(1,744)	-	(1,744)
Borrowings and onlendings	263	-	263	277	-	277
Sale or transfer from financial assets	(771)	-	(771)	(546)	-	(546)
Net interest income - NII	**1,150**	**83**	**1,233**	**1,633**	**(469)**	**1,163**
Allowance for loan losses - ALL	(109)	(399)	(508)	(582)	125	(457)
Net financial margin	**1,041**	**(316)**	**726**	**1,050**	**(344)**	**706**
Other operating income/expenses	**(691)**	**140**	**(551)**	**(718)**	**171**	**(547)**
Fee income	257	-	257	264	-	264
Personnel and administrative expenses	(556)	-	(556)	(601)	-	(601)
Tax expenses	(96)	0	(96)	(108)	13	(96)
Equity in income of subsidiaries	43	-	43	47	-	47
Other operating income/expenses	(339)	140	(199)	(320)	158	(162)
Operating income (loss)	**350**	**(175)**	**175**	**333**	**(173)**	**159**
Non-operating income (loss)	**(0)**	**-**	**(0)**	**6**	**-**	**6**
Income (loss) before taxes and contributions	**350**	**(175)**	**174**	**339**	**(173)**	**165**
Provision for income tax and social contribution	(226)	175	(50)	(185)	173	(12)
Profit sharing	(38)	-	(38)	(45)	-	(45)
Net income (loss)	**86**	**-**	**86**	**108**	**-**	**108**

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

Reconciliation of Audited and Managerial Net Income – 1H15 and 1H16

INCOME STATEMENT (R$ Million)	1H15 Audited	Adjustments	1H15 Managerial	1H16 Audited	Adjustments	1H16 Managerial
Income from financial intermediation	**9,067**	**(52)**	**9,015**	**7,152**	**(386)**	**6,765**
Loans[1]	5,971	(310)	5,661	4,865	(281)	4,584
Leases	42	-	42	19	-	19
Securities	2,314	-	2,314	2,013	530	2,543
Derivative financial instruments	504	257	761	557	(635)	(78)
Foreign exchange operations	236	-	236	(319)	-	(319)
Compulsory deposits	-	-	-	16	-	16
Expenses from financial intermediation	**(6,545)**	**-**	**(6,545)**	**(4,369)**	**-**	**(4,369)**
Money market borrowings	(4,722)	-	(4,722)	(3,591)	-	(3,591)
Borrowings and onlendings	(374)	-	(374)	540	-	540
Sale or transfer from financial assets	(1,450)	-	(1,450)	(1,317)	-	(1,317)
Net interest income - NII	**2,522**	**(52)**	**2,470**	**2,783**	**(386)**	**2,397**
Allowance for loan losses - ALL	(1,203)	337	(866)	(691)	(273)	(965)
Net financial margin	**1,319**	**285**	**1,604**	**2,092**	**(660)**	**1,432**
Other operating income/expenses	**(971)**	**(207)**	**(1,178)**	**(1,409)**	**311**	**(1,098)**
Fee income	463	-	463	521	-	521
Personnel and administrative expenses	(1,165)	-	(1,165)	(1,157)	-	(1,157)
Tax expenses	(214)	(13)	(227)	(204)	13	(191)
Equity in income of subsidiaries	77	-	77	90	-	90
Other operating income/expenses	(132)	(194)	(326)	(659)	298	(361)
Operating income (loss)	**348**	**78**	**426**	**683**	**(349)**	**334**
Non-operating income (loss)	**(17)**	**-**	**(17)**	**6**	**-**	**6**
Income (loss) before taxes and contributions	**330**	**78**	**409**	**688**	**(349)**	**340**
Provision for income tax and social contribution	45	(78)	(33)	(411)	349	(62)
Profit sharing	(108)	-	(108)	(83)	-	(83)
Net income (loss)	**268**	**-**	**268**	**194**	**-**	**194**

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

Analysis of managerial result

Net Interest Income (NII)

NII was down 5.7% compared to the previous quarter, mainly to the conservative posture in relation to credit and lower Treasury revenues. In the 1H16/1H15 comparison, the 3.0% reduction in NII was partially offset by the better performance with income from services and insurance.

Net Interest income (NII) (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%) 2Q16/1Q16	Variation (%) 1H16/1H15
Income from Financial Intermedation	**3,560**	**3,589**	**3,176**	**9,015**	**6,765**	**(11.5)**	**(25.0)**
Total loans	2,498	2,452	2,132	5,661	4,584	(13.1)	(19.0)
Loans	1,498	1,411	1,310	3,673	2,721	(7.1)	(25.9)
Sale or transfer from financial assets[1]	1,000	1,041	822	1,987	1,863	(21.1)	(6.3)
Leases	13	10	9	42	19	(2.7)	(54.8)
Securities	1,151	1,364	1,179	2,314	2,543	(13.5)	9.9
Derivative financial instruments	(104)	(38)	(40)	761	(78)	2.8	-
Foreign exchange operations	2	(201)	(118)	236	(319)	(41.2)	-
Compulsory deposits	-	3	13	-	16	-	-
Expenses from Financial Intermedation	**(2,268)**	**(2,355)**	**(2,013)**	**(6,545)**	**(4,369)**	**(14.5)**	**(33.3)**
Money market repurchase agreements	(1,568)	(1,847)	(1,744)	(4,722)	(3,591)	(5.5)	(24.0)
Borrowings and onlendings	28	263	277	(374)	540	5.4	-
Sale or transfer from financial assets	(728)	(771)	(546)	(1,450)	(1,317)	(29.2)	(9.1)
Net Interest Income	**1,291**	**1,233**	**1,163**	**2,470**	**2,397**	**(5.7)**	**(3.0)**

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

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

The income from financial intermediation decreased 11.5% (R$ 413 million) compared to 1Q16, mainly affected by the reduction in income from loans and securities operations. The downslide in income from loans is mainly: (i) due to the effect of foreign exchange variation on Export Credit Note (NCE) operations, which is largely offset by the use of derivatives and (ii) for the reduction of 3.7% in classified loan portfolio. It is noticing that the Dollar ended Jun.16 quoted at R$ 3.21, against R$ 3.56 in Mar.16 and R$ 3.10 in Jun.15.

When comparing the pair 1H16/1H15, income from financial intermediation declined 25.0% (R$ 2,250 million), also impacted by reduction in Revenues from loans and derivative financial instruments transactions. Note that classified credit portfolio declined 9.4% in the period, reflexing the conservative approach to credit and demand retraction.

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

Expenses from financial intermediation, on the other hand, fell 14.5% (R$ 342 million) in relation to the 1Q16, deriving mainly from: (i) the appreciation of the Real against the U.S. Dollar, and (ii) the maturity of foreign funding, in the amount of R$ 0.7 billion, which gave rise to the reduction of money market expenses.

When comparing 1H16/1H15, expenses from financial intermediation fell 33.3%, impacted mainly by effects of foreign exchange and by reduction of R$ 5.5 billion in balance of funding sources in the 1H16.

As part of the strategy to extend the maturity profile of funding sources obtained and reduce their respective costs, in 2Q16, the Bank raised R$ 1.7 billion by means of assignment of loan assets from the Consumer Finance business to BB (with recourse), totaling R$ 1.4 billion, thus helping to maintain the Bank's cash position at a prudentially high cash level.

The annualized net interest margin (NIM) reached 4.9% p.y. in 2Q16, 5.1% p.y. in 1Q16. This drop of 0.2 p.p. is mainly due to the 5.7% reduction in NII. In the 1H16/1H15 comparison, the NIM recorded a reduction of 0.3 p.p due to the reduction in NII and the growth of average balance of earning assets.

NET INTEREST MARGIN (NIM) (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%)	
						2Q16/1Q16	1H16/1H15
Net Interest Income (A)	**1,291**	**1,233**	**1,163**	**2,470**	**2,397**	**(5.7)**	**(3.0)**
Average Interest-Earning Assets (B)	**95,337**	**97,909**	**95,988**	**93,570**	**96,864**	**(2.0)**	**3.5**
Compulsory deposits	43	206	489	47	333	137.0	-
Interbank funds applied	16,475	17,109	18,443	13,442	18,024	7.8	34.1
Securities	25,783	30,771	29,288	26,900	29,667	(4.8)	10.3
Loans	53,036	49,823	47,769	53,182	48,840	(4.1)	(8.2)
NIM (A/B)	**5.5%**	**5.1%**	**4.9%**	**5.3%**	**5.0%**	**-0.2 p.p.**	**-0.3 p.p.**

Loan Portfolio

In Jun.16, the consolidated loans classified by the Resolution 2,682 totaled R$ 46.9 billion, 3.7% lower than the balance at the end of Mar.16 and 9.4% lower than in Jun.15, due to the conservative approach to credit and demand retraction.

The expanded credit portfolio of Wholesale, which includes guarantees provided and private securities, ended Jun.16 with a balance of R$ 26.3 billion, 7.5% lower than Mar.16 and 16.8% lower than Jun.15. The reduction in the quarter is virtually explained by the exchange variation on foreign currency-denominated operations.

In Consumer Finance, the classified loan portfolio reached R$ 33.1 billion in Jun.16, remaining practically stable in relation to Mar.16. In the last 12 months the loan portfolio presented a downslide of 5.5%, reflecting the conservativeness in loan concessions, the focus on guaranteeing the quality and profitability of the new vintages, and the moderation of demand.

The balance of portfolios assigned with recourse until Dec.11 (before the Resolution 3,533 became effective) to other financial institutions ended Jun.16 at R$ 50 million, compared to R$ 744 million in Jun.15. This balance tends towards zero over time and is not recorded in the Bank's balance sheet (off-balance). These assets are considered in "managed loan portfolio", which ended Jun.16 at R$ 46.9 billion, a 3.8% reduction in relation to Mar.16 and 10.6% lower than in Jun.15.

CREDIT PORTFOLIO (R$ Million)	Jun.15	Mar.16	Jun.16	Variation (%)	
				Jun.16/Mar.16	Jun.16/Jun.15
Wholesale segment - CIB (a)	**16,675**	**15,191**	**13,735**	**(9.6)**	**(17.6)**
Consumer Finance segment (b)	**35,086**	**33,472**	**33,140**	**(1.0)**	**(5.5)**
Auto finance (direct credit and leasing)	28,794	27,698	27,507	(0.7)	(4.5)
Payroll loans	5,051	4,397	4,173	(5.1)	(17.4)
Credit Cards	1,086	1,306	1,386	6.2	27.6
Individual Loans	155	71	73	2.7	(52.7)
On-balance loan portfolio (c=a+b)	**51,761**	**48,663**	**46,875**	**(3.7)**	**(9.4)**
Guarantees provided (d)	9,344	7,846	7,805	(0.5)	(16.5)
Private securities (e)	5,558	5,379	4,737	(11.9)	(14.8)
Expanded credit portfolio (f=c+d+e)	**66,663**	**61,887**	**59,417**	**(4.0)**	**(10.9)**
Off-balance credit assignments - Consumer Finance (g)[1]	**744**	**136**	**50**	**(63.5)**	**(93.3)**
Credit assignments with recourse to Financial Institutions	744	136	50	(63.5)	(93.3)
Auto finance (direct credit to consumer and leasing)	464	73	25	(65.6)	(94.6)
Payroll loans	281	64	25	(61.1)	(91.2)
Credit assignments to FIDC[2]	0	-	-	-	(100.0)
Expanded managed credit portfolio (h=f+g)	**67,407**	**62,023**	**59,467**	**(4.1)**	**(11.8)**
Wholesale segment - CIB (a+d+e)	**31,577**	**28,416**	**26,277**	**(7.5)**	**(16.8)**
Consumer Finance segment (b+g)	**35,830**	**33,565**	**33,190**	**(1.1)**	**(7.4)**
Auto Finance (Direct Credit to Consumer and Leasing)	29,258	27,771	27,532	(0.9)	(5.9)
Payroll Loans	5,332	4,460	4,198	(5.9)	(21.3)
Credit Cards	1,086	1,263	1,386	9.8	27.6
Individual loans and Home Equity	155	71	73	2.7	(52.7)

1. Credits assigned before Resolution 3,533; 2.Investment funds in credit rights (FIDCs) in which Banco Votorantim and BV Financeira hold 100% of subordinated quotas.

In managed loan portfolio for payroll loans reached R$ 4.2 billion in Jun.16, 21.3% lower than in Jun.15. In the last 12 months, Public Payroll Loans exhibited the greatest reduction (41.7%), according to the table below. Such a downslide reflects the Bank's selective strategy of action in public agreements, maintaining the focus on refinancing the INSS Payroll Loan portfolio and on the gradual expansion of the Private Payroll Loan portfolio.

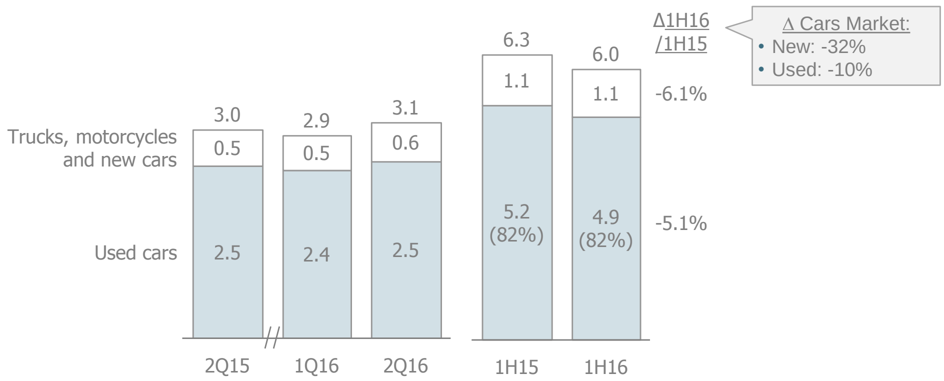
Payroll Loans - Portfolio Composition (R$ Million)	Jun.15	Mar.15	Jun.16	Variation %	
				Jun.16/Mar.16	Jun.16/Jun.15
Payroll Loans Total[1]	**5,332**	**4,460**	**4,198**	**(5.9)**	**(21.3)**
INSS (retirees and pensioners)	3,591	3,023	2,826	(6.5)	(21.3)
Private	778	780	811	3.9	4.2
Public	963	657	561	(14.5)	(41.7)
State	390	271	232	(14.3)	(40.4)
Federal	328	232	207	(10.8)	(36.8)
Municipal	245	153	122	(20.6)	(50.3)

1.Includes credits assigned before Resolution 3.533.

Auto finance loans

In 2016, the Bank maintained its conservative attitude in the concession of auto finance loans and its focus on the segment of used light vehicles, in which it has a history of leadership and recognized competence. The auto finance origination volume was R$ 6.0 billion in 1H16, 82% of used cars. It is worth pointing out that light vehicle finance origination was down 10% in 1H16/1H15, while the volume at the Bank decreased by only 5.1%. This result meant that Banco Votorantim remained one of the leaders of the auto finance market.

Auto finance market volume (R$B)



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

In 2016, the Bank continues practicing shorter terms and requesting higher down payments in relation to 2010 and 2011 vintages. In 4Q10, for example, the average production period was 52 months and the average down payment percentage was 26%. In 2Q16, in turn, the average production period was 44 months and the average down payment percentage was 42%, as per the table below.

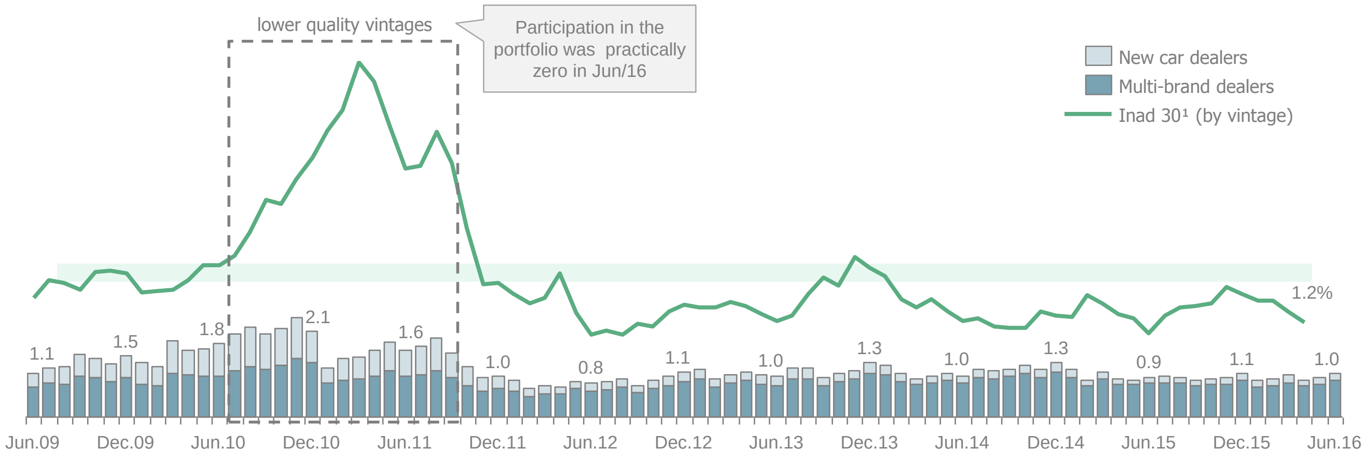
AUTO FINANCE - Origination	2Q15	1Q16	2Q16	Variation 2Q16/1Q16	Variation 2Q16/2Q15
Average rate (% per year)	27.6	29.8	27.1	-2.7 p.p.	-0.5 p.p.
Average term (months)	44	44	44	0	0
Loan-to-Value (%)	58.6	58.6	58.3	-0.3 p.p.	-0.3 p.p.
Used cars/cars origination (%)	90.9	90.2	89.3	-0.9 p.p.	-1.6 p.p.

AUTO FINANCE - Loan Portfolio	Jun.15	Mar.16	Jun.16	Variation Jun.16/Mar.16	Variation Jun.16/Jun.15
Average rate[1] (% per year)	26.1	27.3	27.4	0.1 p.p.	1.3 p.p.
Maturity (months)	46	46	46	0	0
Loan-To-Value (%)	53.6	53.4	52.8	-0.6 p.p.	-0.8 p.p.
Used cars/Auto finance portfolio (%)	83.1	86.2	86.8	0.6 p.p.	3.7 p.p.
Average vehicle age (years)	5	5	5	0	0

1 Rate calculated based on quarterly average portfolio

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

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



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

Vintages of poorer quality originated between Jul.10 and Sept.11 were practically nonexistent in the managed auto finance portfolio of Jun.16. Better quality origination has contributed to favorable delinquency trajectory.

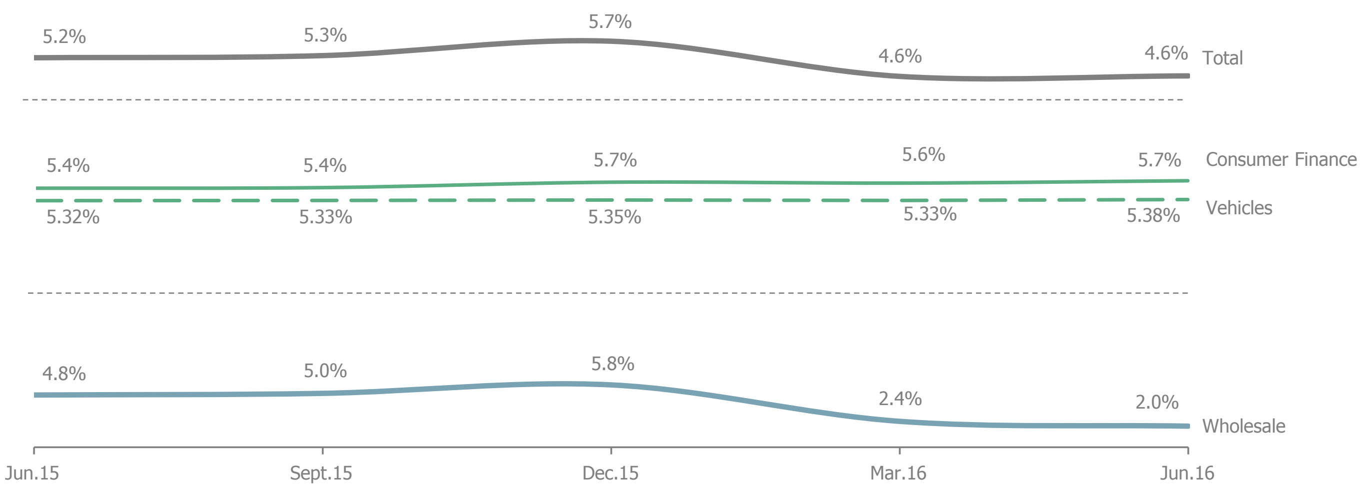
Delinquency and allowance for loan losses (ALL)

Managed portfolio consolidated delinquency closed Jun.16 at 4.6%, stable in relation to Mar.16 and a decrease of 0.6 p.p. in relation to Jun.15, benefited mainly by Wholesale indicator improvement.

In Wholesale, delinquency was down to 2.0% in Jun.16, in view of 2.4% in Mar.16 and 4.8% in Jun.15, mainly reflecting greater volume of credits written-off to loss.

In Consumer Finance, delinquency ended Jun.16 at 5.7%, compared to 5.6% in Mar.16, up 0.3 p.p. over Jun.15. In spite of challenging macro-economic scenario, delinquency of vehicles portfolio remained ended Jun.16 at 5.38%, practically stable in relation to Jun.15 (5.32%), while delinquency of financial system for this segment grew 0.6 p.p. in the same period, according to data from the Brazilian Central Bank (Bacen).

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



Allowance for loan losses expenses – net of income from recovery of credit off to loss – were down 10.0% (R$ 51 million) from 1Q16, as a result of lower allowance for loan losses expenses in Wholesale and in Consumer Finance. Expenses grew 11.4% in the 1H16/1H15 comparison, driven mainly by the higher expenses of Consumer Finance. It is worth emphasizing that coverage ratio (IC) of Operations past due over 90 days increased from 146% in Jun.15 to 148% in Jun.16, evidencing balance sheet strengthened quality.

The Net Financial Margin was down 2.7% compared to 1Q16, due to the reduction in NII in 2Q16. In the 1H16/1H15 comparison, the reduction was 10.7%, resulting from the decrease in NII and the increase in allowance for loan losses.

NET FINANCIAL MARGIN (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%) 2Q16/1Q16	Variation (%) 1H16/1H15
Net Interest Income	**1,291**	**1,233**	**1,163**	**2,470**	**2,397**	**(5.7)**	**(3.0)**
Allowance for loan losses	(448)	(508)	(457)	(866)	(965)	(10.0)	11.4
Wholesale	(90)	(159)	(116)	(237)	(275)	(27.5)	16.2
Consumer Finance	(358)	(348)	(341)	(629)	(690)	(2.0)	9.7
Net Financial Margin	**843**	**726**	**706**	**1,604**	**1,432**	**(2.7)**	**(10.7)**

Loans classified between "AA-C" (best risk levels) according to Resolution 2,682 represented, at the end of Jun.16, 90.2% of the managed loan portfolio, representing an increase of 0.4% in the last 12 months.

The New NPL, volume of credit operations past due by over 90 days, totaled R$ 560 million in 2Q16, compared to R$ 546 million in 1Q16. In relation to the loan portfolio, the New NPL remained stable at 1.1%.

MANAGED LOAN PORTFOLIO QUALITY INDICATORS (R$ Million, except where indicated)	Jun.15	Mar.16	Jun.16
Loan portfolio	52,505	48,799	46,925
90-day NPL/ Loan portfolio	5.2%	4.6%	4.6%
Write-off(a)	(834)	(1,215)	(639)
Credit recovery (b)	151	141	140
Net Loss (a+b)	(683)	(1,074)	(500)
Net Loss / Loan portfolio - annualized	5.3%	9.1%	4.3%
New NPL	(67)	546	560
New NPL / Loan portfolio[1]	-0.1%	1.1%	1.1%
ALL balance[2]	3,979	3,271	3,221
ALL balance / Loan portfolio	7.6%	6.7%	6.9%
ALL balance / 90-day NPL	146%	145%	148%
ALL balance / D - H balance	74.2%	70.9%	69.8%
AA-C balance	47,141	44,188	42,309
AA-C balance / Loan portfolio	89.8%	90.6%	90.2%
ALL expenses / Loan portfolio	0.9%	1.0%	1.0%

1 (∆ NPL 90 balance + loans written-off to loss in the quarter) / Loan portfolio by the end of the immediately preceding quarter

2.Includes, in Jun.16, R$ 232M of "generic" credit provision recognized as Liabilities in the "Other" line (Note # 18d of 2Q16 Financial Statement)

The balance of renegotiated loans totaled R $ 6,847 million in Jun.16, compared to R $ 7,025 on Mar.16. It is noteworthy that most of the active renegotiation portfolio consists of renovated operations without delay - refinancing - mainly payroll loans. Note that the amount of renegotiated operations in the 2Q16 was 9% lower than the 1Q16 total.

RENEGOTIATED LOAN OPERATIONS (R$ Million)	1Q16	2Q16
Initial Balance	**7,962**	**7,025**
Contracts	1,017	921
Amortization and Capitalized Interest	(1,684)	(977)
Write-off	(270)	(122)
Renegotiated Loan Portfolio	**7,025**	**6,847**

Income from services

Income from services grew 3.0% in comparison to the previous quarter, and 12.6% in the 1H16/1H15 comparison. The increase in the half-yearly comparison is due to: (i) increase in revenues from Preparation of master file and Evaluation of assets despite lower volume of vehicle origination, and (ii) increase in revenues from Credit card, whose portfolio growth in the last 12 months contributed to diversify the assets' and revenue base. This increase partially offset the downslide in NII in 1H16/1H15.

INCOME FROM SERVICES[1] (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%)	
						2Q16/1Q16	1H16/1H15
Master file registration	61	71	74	129	145	2.9	12.1
Appraisal of assets	41	45	50	85	95	12.7	11.8
Credit cards	33	41	41	68	81	0.3	18.8
Income from guarantees provided	21	36	29	58	66	(19.6)	12.4
Management of investment funds	29	23	35	52	58	49.0	12.1
Commisions on placing of securities	12	17	13	23	29	(24.3)	27.9
Other[2]	22	24	23	47	47	(1.2)	(0.5)
Total Fee Incomes	**220**	**257**	**264**	**463**	**521**	**3.0**	**12.6**

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

Note that the Bank has increased the trading of insurance, such as Credit Insurance and Auto Insurance, whose revenues totaled R$ 118 million in the 1H16. Sales are handled through the subsidiary Votorantim Corretora de Seguros, and the result of this operation is recognized under the equity method of accounting.

Personnel expenses

Personnel expenses decreased 0.6% compared to the previous quarter, mainly due to lower expenses with payroll charges and labor lawsuits related to the restructuring process.

PERSONNEL EXPENSES (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%)	
						2Q16/1Q16	1H16/1H15
Fees	(5)	(5)	(5)	(9)	(10)	1.9	10.5
Benefits	(32)	(31)	(30)	(65)	(62)	(3.4)	(4.8)
Social Charges	(39)	(63)	(32)	(97)	(95)	(48.5)	(1.6)
Salaries	(155)	(108)	(154)	(282)	(262)	42.7	(7.2)
Training	(1)	(0)	(1)	(1)	(1)	82.7	3.1
Subtotal	**(233)**	**(207)**	**(222)**	**(454)**	**(430)**	**7.2**	**(5.3)**
Labor lawsuits	(81)	(92)	(75)	(176)	(167)	(18.5)	(5.3)
Total Personnel Expenses	**(314)**	**(299)**	**(297)**	**(630)**	**(596)**	**(0.6)**	**(5.3)**

The Bank closed Jun.16 with 4,153 employees, not counting statutory personnel and interns, compared to 4,267 in Mar.16.

Administrative expenses

In 2Q16, administrative expenses increased 18.2% over the previous quarter, mainly due to the specific increase in expenses with: (i) Data Processing resulting from investments in technology, and (ii) Specialized Technical Services and Legal Fees, resulting, in turn, from the increase in Consumer Finance credit collection expenses. A 1H16/1H15 comparison, administrative expenses increased by 4.7% owing to the expansion of expenses with Specialized Technical Services related to Consumer Finance credit collection campaigns. It is worth emphasizing that in the half-yearly comparison, administrative expenses have grown at a slower pace than inflation (IPCA of 8.8% in the same period).

ADMINISTRATIVE EXPENSES (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%)	
						2Q16/1Q16	1H16/1H15
Rentals	(20)	(17)	(17)	(41)	(34)	1.9	(16.4)
Communication	(20)	(17)	(18)	(38)	(36)	5.4	(5.8)
Data processing	(43)	(41)	(52)	(88)	(93)	28.6	5.4
Services of the financial system	(28)	(26)	(24)	(52)	(50)	(9.3)	(4.3)
Specialized technical services	(94)	(86)	(98)	(173)	(184)	14.0	6.7
Judicial and Notary public fees	(23)	(24)	(30)	(48)	(54)	25.0	12.2
Other	(42)	(46)	(64)	(96)	(110)	39.6	14.4
Total Administrative Expenses	**(270)**	**(257)**	**(304)**	**(535)**	**(561)**	**18.2**	**4.7**

Efficiency Ratio accumulated for the last 12 months ended Jun.16 again below 40%, 39.7%, reflecting the continued efforts of effective cost management.

EFFICIENCY RATIO (ER) (R$ Million)	2Q15	1Q16	2Q16	Var. 2Q16/1Q16	1H15	1H16	Var. 1H16/1H15
Total Personnel[1] and Administrative expenses (A)	**503**	**464**	**526**	**13.3%**	**989**	**990**	**0.1%**
Total Revenues (B)	**1,332**	**1,334**	1,313	**-1.6%**	**2,683**	**2,647**	-1.4%
Net Interest Income (NII)	1,291	1,233	1,163	-5.7%	2,470	2,397	-3.0%
Income from Services and Banking Fees	220	257	264	3.0%	463	521	12.6%
Income from subsidiaries[2]	39	43	47	11.0%	77	90	16.6%
Other Operating Income/Expenses	(219)	(199)	(162)	-18.3%	(326)	(361)	10.6%
Efficiency Ratio (A/B) - period	**37.7%**	**34.8%**	**40.1%**	**5.3 p.p.**	**36.9%**	**37.4%**	**0.5 p.p.**
Efficiency Ratio - last 12 months	**38.5%**	**39.1%**	**39.7%**	**0.6 p.p.**	**38.5%**	**39.7%**	**1.0 p.p.**

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

Other operating income and expenses

In 2Q16, other operating income and expenses totaled R$-162 million, compared to R$-199 million in the previous quarter. This variation is mainly due to (i) the reversal of allowance for losses on guarantees honored in the 2Q16, and (ii) reduced stock of deferred commissions of business partners.

In the 1H16/1H15 comparison, the increase of 10.6% reflects, mainly, higher provisions for contingent liabilities.

OTHER OPERATING INCOME/EXPENSES (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%)	
						2Q16/1Q16	1H16/1H15
Reversal (provision) for restructuring	11	(3)	1	15	(1)	(147.6)	(108.8)
Reversal (provision) for contingent liabilities	(58)	(59)	(80)	(64)	(139)	35.7	117.3
Reversal (provision) for unhonored guarantees	(32)	(5)	3	(15)	(3)	(147.9)	(81.3)
Costs associated with the production	(143)	(138)	(133)	(305)	(271)	(4.0)	(11.1)
Others	4	7	27	43	54	294.2	24.5
Total Other Operating Income/Expenses	**(219)**	**(199)**	**(162)**	**(326)**	**(361)**	**(18.3)**	**10.6**

Funding and Liquidity

The funding sources volume amounted to R$ 67.5 billion at the end of Jun.16, with reduction of 8.7% for the past 12 months, as shown below.

FUNDING SOURCES (R$ Billion)	Jun.15	Mar.16	Jun.16	Variation %	
				Jun.16/Mar.16	Jun.16/Jun.15
Debentures (BV Leasing)	**14.3**	**16.7**	**16.2**	**(3.2)**	**13.7**
Deposits	**5.0**	**4.5**	**3.7**	**(17.4)**	**(26.3)**
Time deposits	3.2	2.3	1.8	(21.0)	(42.3)
Deposits (on demand and interbank)	1.8	2.2	1.9	(13.5)	1.2
Bills	**16.5**	**17.5**	**17.8**	**1.5**	**7.8**
Financing bills	13.0	14.1	14.8	4.9	13.7
Agribusiness credit bills ("LCA") and Real estate credit bills ("LCI")	3.5	3.4	3.0	(12.5)	(14.3)
Borrowings and onlendings	**6.8**	**7.0**	**6.2**	**(11.7)**	**(9.0)**
Subordinated debts	**7.2**	**6.6**	**6.4**	**(3.3)**	**(10.4)**
Subordianted Financing bills	2.2	1.8	1.0	(46.9)	(54.7)
Others subordinated debts	5.0	4.8	5.4	13.4	8.8
Securities abroad	**7.2**	**3.3**	**1.5**	**(55.2)**	**(79.1)**
Securitization with recourses	**17.0**	**16.5**	**15.7**	**(5.1)**	**(7.8)**
Total funding (A)	**74.0**	**72.3**	**67.5**	**(6.6)**	**(8.7)**
Expanded credit portfolio[1] (B)	**57.3**	**54.0**	**51.6**	**(4.5)**	**(10.0)**
(B) / (A) %	**77.5**	**74.8**	**76.5**	**1.7 p.p.**	**-1.1 p.p.**

1 Excludes guarantees provided

In recent quarters the Bank has maintained a conservative posture in relation to loan concession. In this context of lower demand for funding, the Bank has made efforts toward improving the profile of its funding sources. The Bank expended the share of more stable funding instruments, such as bills (financing bills, real estate credit bills and agribusiness credit bills) and assignments of receivables with recourse, which already account for 49% (R$ 33.5 billion) out of the total funding sources in Jun.16.

In 2Q16, the Bank funded R$ 1.7 billion through assignment, with recourse, of R$ 1.4 billion in loan assets to the shareholder Banco do Brasil. These assignments of receivable operations do not have an immediate impact on results, as was the case prior to Dec.11 – before Resolution 3,533 took effect, but contribute to the strategy of extending the average funding period and reducing its cost.

Moreover, in May.16 a foreign funding operation in the amount of US$ 205 million (R$ 657 million) was paid in full, contributing to reduce the average cost of funding.

In relation to liquidity, in light of the uncertainties that still persist in the macroeconomic scenario, the Bank has maintained its cash at a very conservative level enough to cover our funding with daily liquidity. Additionally, it is important to emphasize that the Bank has a committed credit facility at Banco do Brasil, in the amount of R$ 6.8 billion, which represents a significant liquidity reserve and that has never been used. Also, it is worth emphasizing that relation between expanded credit portfolio and funds raised from third parties declined from 77.5% in Jun.15 to 76.5% in Jun.16, reflecting higher balance sheet liquidity.

The table that follows reflects the chief issues of Banco Votorantim abroad.

External Funding (US$ million)	Index	Balance in Dec.15	Balance in Mar.16	Balance in Jun.16	Issue date	Maturity date	Coupon %p.y.
Medium Term Notes	**Fixed rate**	**1,250**	**0**	**0**	**02/11/2013**	**02/11/2016**	**5.25%**
Medium Term Notes	**IPCA**	**189**	**205**	**0**	**11/16/2012**	**05/16/2016**	**6.25%**
Eurobond - Subordinated	**Fixed rate**	**842**	**812**	**808**	**01/21/2013**	**01/21/2020**	**7.38%**

Capital

From Oct.13 onwards, the set of rules that implemented in Brazil the recommendations of the Basel Committee on Banking Supervision related to the Capital structure of financial institutions, known as Basel III, came into effect. The Brazilian Central Bank, through its Resolution No. 4,193, provided a new method for calculating minimum capital, Tier I capital and principal capital requirements. In 2016, the minimum capital requirement was changed to 10.50%, including 0.63% for maintenance capital. For Tier I Capital, it is 6.0% and for Principal Capital it is 4.5%.

Schedule - Basel III	2014	2015	2016	2017	2018	2019
Total Capital	**11.00%**	**11.00%**	**9.88%**	**9.25%**	**8.63%**	**8.00%**
Tier I Capital	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
Common Equity Tier I	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Additional TierI	1.00%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier II Capital	5.50%	5.00%	3.88%	3.25%	2.63%	2.00%
Minimum Additional Capital Requirement	**-**	**-**	**0.63%**	**1.25%**	**1.88%**	**2.50%**
Maximum Additional Capital Requirement	**-**	**-**	**1.25%**	**2.50%**	**3.75%**	**5.00%**
CR + Minimum Additional Capital	**11.00%**	**11.00%**	**10.50%**	**10.50%**	**10.50%**	**10.50%**
CR + Maximum Additional Capital	**11.00%**	**11.00%**	**11.13%**	**11.75%**	**12.38%**	**13.00%**

In Jun.16, the Prudential Conglomerate capital amounted to R$ 9,675 million, and risk-weighted assets amounted to R$ 64,839 million. Basel ratio closed Jun.16 at 14.92%, an increase of 0.5 p.p. in relation to Mar.16 and 0.1 p.p. in relation to Jun.15. The Tier I capital index (which, for the Bank is equivalent to the Principal Capital) closed Jun.16 at 10.6%. The increase in the ratio in the Jun.16/Mar.16 comparison is mainly affected (i) by the reduction in RWA of credit risk, which were affected by the downslide of the expanded credit portfolio of Wholesale; and (ii) increase in Tier I, due to increase in the shareholder's equity from net income generated in the period, and the improved unrealized result of securities available for sale.

BASEL RATIO (R$ Million)	Jun.16	Mar.16	Jun.16
Total Capital	**10,967**	**9,742**	**9,675**
Tier I Capital	7,105	6,587	6,892
Common Equity Tier I	7,105	6,587	6,892
Additional Tier I	-	-	-
Tier II Capital	3,862	3,155	2,782
Risk Weighted Assets (RWA)	**73,786**	**67,714**	**64,839**
Credit risk	66,293	59,714	57,168
Market risk	3,087	1,984	1,654
Operational risk	4,407	6,016	6,016
Minimum Capital Requirement	**8,116**	**6,687**	**6,403**
Basel Ratio (Capital/RWA)	**14.86%**	**14.39%**	**14.92%**
Tier I Capital Ratio	9.6%	9.7%	10.6%
Common Equity Tier I Ratio	9.6%	9.7%	10.6%
Additional Tier I Ratio	-	-	-
Tier II Capital Ratio	5.2%	4.7%	4.3%

Considering our current capital base, if we should fully apply Basel III rules, Tier I Capital would be 9.8% in Jun.16.

Ratings

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

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

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

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

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

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

Corporate Governance

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

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

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

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

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

Board of Directors:

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

Appendix 1 - Balance sheet

BALANCE SHEET | Assets (R$ Million)	Jun.15	Mar.16	Jun.16	Variation % Jun.16/Mar.16	Variation % Jun.16/Jun.15
CURRENT AND LONG-TERM ASSETS	**102,935**	**108,890**	**107,564**	**(1.2)**	**4.5**
Cash and cash equivalents	221	210	141	(32.7)	(36.0)
Interbank funds applied	18,208	17,030	19,855	16.6	9.0
Securities and derivative financial instruments	24,330	31,117	27,458	(11.8)	12.9
Derivative financial instruments	1,423	2,929	4,231	44.5	197.3
Interbank accounts or relations	59	442	619	40.2	-
Loan Operations, Leases and Others receivables	51,675	48,363	46,477	(3.9)	(10.1)
Alowance for loan losses	(3,824)	(3,046)	(2,989)	(1.9)	(21.8)
Tax credit	6,732	7,273	7,260	(0.2)	7.9
Others	4,113	4,572	4,511	(1.3)	9.7
NON-CURRENTS	**400**	**417**	**463**	**11.2**	**15.9**
Investments	234	216	262	21.1	12.0
Fixed assets	94	98	95	(3.3)	1.0
Intangible and deferred charges	73	103	107	4.2	47.7
TOTAL ASSETS	**103,335**	**109,307**	**108,028**	**(1.2)**	**4.5**

BALANCE SHEET | Liabilities (R$ Million)	Jun.15	Mar.16	Jun.16	Variation % Jun.16/Mar.16	Variation % Jun.16/Jun.15
CURRENT AND LONG-TERM LIABILITIES	**95,457**	**101,186**	**99,709**	**(1.5)**	**4.5**
Deposits	5,034	4,491	3,708	(17.4)	(26.3)
Demand deposits	78	78	76	(1.5)	(2.5)
Interbank deposits	1,771	2,086	1,795	(14.0)	1.3
Time deposits	3,184	2,327	1,837	(21.0)	(42.3)
Money market borrowings	27,937	36,653	38,070	3.9	36.3
Acceptances and endorsements	23,691	20,860	19,276	(7.6)	(18.6)
Interbank accounts	57	35	32	(8.2)	(44.3)
Borrowings and onlendings	6,820	7,032	6,209	(11.7)	(9.0)
Derivative financial instruments	1,648	2,776	3,856	38.9	134.0
Others obligations	30,270	29,339	28,559	(2.7)	(5.7)
Subordinated debts	7,168	6,648	6,426	(3.3)	(10.4)
Credit transactions subject to assignment	17,015	16,538	15,690	(5.1)	(7.8)
Others obligations	6,086	6,153	6,443	4.7	5.9
DEFERRED INCOME	**31**	**41**	**36**	**(12.9)**	**15.5**
SHAREHOLDERS' EQUITY	**7,847**	**8,080**	**8,282**	**2.5**	**5.5**
TOTAL LIABILITIES	**103,335**	**109,307**	**108,028**	**(1.2)**	**4.5**

Appendix 2 - Managerial Statement of Income

INCOME STATEMENT (R$ Million)	2Q15	1Q16	2Q16	1H15	1H16	Variation (%) 2Q16/1Q16	Variation (%) 1H16/1H15
Income from financial intermediation	**3,560**	**3,589**	**3,176**	**9,015**	**6,765**	**(11.5)**	**(25.0)**
Loans[1]	2,498	2,452	2,132	5,661	4,584	(13.1)	(19.0)
Leases	13	10	9	42	19	(2.7)	(54.8)
Securities	1,151	1,364	1,179	2,314	2,543	(13.5)	9.9
Derivative financial instruments	(104)	(38)	(40)	761	(78)	2.8	-
Foreign exchange operations	2	(201)	(118)	236	(319)	(41.2)	-
Income from Compulsory Deposits	-	3	13	-	16	339.0	-
Expenses from financial intermediation	**(2,268)**	**(2,355)**	**(2,013)**	**(6,545)**	**(4,369)**	**(14.5)**	**(33.3)**
Money market borrowings	(1,568)	(1,847)	(1,744)	(4,722)	(3,591)	(5.5)	(24.0)
Borrowings and onlendings	28	263	277	(374)	540	5.4	-
Sale or transfer from financial assets	(728)	(771)	(546)	(1,450)	(1,317)	(29.2)	(9.1)
Net interest income	**1,291**	**1,233**	**1,163**	**2,470**	**2,397**	**(5.7)**	**(3.0)**
Allowance for loan losses	(448)	(508)	(457)	(866)	(965)	(10.0)	11.4
Net financial margin	**843**	**726**	**706**	**1,604**	**1,432**	**(2.7)**	**(10.7)**
Other operating income/expenses	**(638)**	**(551)**	**(547)**	**(1,178)**	**(1,098)**	**(0.7)**	**(6.8)**
Fee Income	220	257	264	463	521	3.0	12.6
Personnel expenses	(314)	(299)	(297)	(630)	(596)	(0.6)	(5.3)
Administrative expenses	(270)	(257)	(304)	(535)	(561)	18.2	4.7
Tax expenses - ISS, PIS and Cofins	(94)	(96)	(96)	(227)	(191)	0.1	(15.6)
Equity in income of subsidiaries	39	43	47	77	90	11.0	16.6
Other operational income (expenses)	(219)	(199)	(162)	(326)	(361)	(18.3)	10.6
Operating income (loss)	**205**	**175**	**159**	**426**	**334**	**(8.8)**	**(21.6)**
Non-operating income (loss)	**(15)**	**(0)**	**6**	(17)	6	**-**	**-**
Income (loss) before taxes and contribution	**191**	**174**	**165**	**409**	**340**	**(5.2)**	**(16.9)**
Provision for income tax and social contribution	10	(50)	(12)	(33)	(62)	(76.1)	88.7
Profit sharing	(55)	(38)	(45)	(108)	(83)	18.7	(23.0)
Net income (loss)	**146**	**86**	**108**	**268**	**194**	**25.5**	**(27.4)**

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

Appendix 3 - Quality of the Loan Portfolio

Consolidated Loan Portfolio – by risk level

RISK (R$ Million)	Jun.15			Mar.16			Jun.16		
	Balance	Provision	Part.%	Balance	Provision	Part.%	Balance	Provision	Part.%
AA	3,007	-	5.8%	4,137	-	8.5%	3,711	-	7.9%
A	24,452	122	47.2%	24,207	121	49.7%	23,352	117	49.8%
B	9,539	95	18.4%	7,526	77	15.5%	7,375	75	15.7%
C	9,452	284	18.3%	8,193	267	16.8%	7,826	249	16.7%
D	1,222	122	2.4%	1,469	165	3.0%	1,380	154	2.9%
E	750	225	1.4%	521	160	1.1%	477	146	1.0%
F	402	201	0.8%	423	215	0.9%	701	352	1.5%
G	934	772	1.8%	500	355	1.0%	536	378	1.1%
H	2,004	2,003	3.9%	1,686	1,686	3.5%	1,518	1,518	3.2%
TOTAL	**51,762**	**3,824**	**100.0%**	**48,663**	**3,046**	**100.0%**	**46,875**	**2,989**	**100.0%**
AA-C	**46,450**	**501**	**89.7%**	**44,063**	**465**	**90.5%**	**42,263**	**440**	**90.2%**
D-H	**5,312**	**3,323**	**10.3%**	**4,600**	**2,581**	**9.5%**	**4,612**	**2,548**	**9.8%**

Note: ALL Balance does not consider, in Jun.16, R$ 232M of "generic" credit provision recognized as Liabilities in the "Other" line (Note #18d of 1Q16 Financial Statement)

Wholesale – Sectorial concentration

Wholesale - Sectorial concentration	Jun.15		Mar.16		Jun.16	
	R$M	Part.(%)	R$M	Part.(%)	R$M	Part.(%)
Financial Institutions	4,448	18.1%	3,800	17.3%	3,752	18.2%
Sugar and Ethanol	2,290	9.3%	2,033	9.2%	1,823	8.9%
Telecom	1,708	7.0%	1,568	7.1%	1,606	7.8%
Petrochemical	1,365	5.6%	1,558	7.1%	1,567	7.6%
Retail	923	3.8%	1,440	6.5%	1,236	6.0%
Mining	508	2.1%	889	4.0%	883	4.3%
Railways	627	2.6%	810	3.7%	781	3.8%
Agribusiness	1,288	5.3%	908	4.1%	762	3.7%
Eletricity Generation	667	2.7%	751	3.4%	605	2.9%
Government	587	2.4%	616	2.8%	565	2.7%
Road Cargo Transportation	460	1.9%	527	2.4%	507	2.5%
Residential Construction	668	2.7%	462	2.1%	459	2.2%
Electricity Distribution	643	2.6%	448	2.0%	426	2.1%
Food Industry	316	1.3%	423	1.9%	411	2.0%
Oil & Gas	201	0.8%	401	1.8%	401	1.9%
Pulp and Paper	706	2.9%	606	2.8%	361	1.8%
Automotive	515	2.1%	391	1.8%	324	1.6%
Services	508	2.1%	304	1.4%	314	1.5%
Slaughterhouses	288	1.2%	292	1.3%	286	1.4%
Beverages	382	1.6%	235	1.1%	271	1.3%
Other sectors	5,432	22.1%	3,544	16.1%	3,235	15.7%
Total[1]	**24,532**	**100.0%**	**22,005**	**100.0%**	**20,576**	**100.0%**

1. Excludes private securities

Glossary

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

Loan portfolio: Loan portfolio accounted for according to the criteria established by Resolution No. 2,682/99 of the National Monetary Council (CMN), including the mark-to-market of loans and leases in compliance with BACEN Circular Letter No. 3,624 (as of Jun.14).

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

Managed Loan Portfolio: loan portfolio accounted according to Resolution CMN No. 2,682/99, with the addition of the assets assigned with recourse to other financial institutions and the assets assigned to FIDCs - of which the Bank holds 100% of the subordinated quotas.

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

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

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

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

FIDC: Investment Funds in Receivables

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

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

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

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

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

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

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