

Brazilian Banks

Models Update; Increased Most TPs, on Higher EPS Estimates and/or Lower COE; Downgraded BBDC to Neutral on Valuation

- **Earnings models revision** – Following 1Q14 earnings season and recent conversations with management, we have thoroughly updated our earnings models for the five Brazilian banks that we cover. As a result, (1) we have increased our 2014-2016 EPS estimates for Itaú Unibanco (ITUB) and Bradesco (BBDC) by about 2%, on lower loan loss provisions (LLPs) and lower operating expenses (OpEx); (2) we have increased our 2014, 2015 and 2016 EPS estimates for Banco do Brasil (BBAS) by 2%, 7% and 12%, respectively, mainly on renewed expectations for a net interest income (NII) revival as we head into next year; and (3) we have maintained our 2014-2016 EPS estimates unchanged for BTG Pactual (BBTG) and Santander Brasil (SANB). Our revised earnings models suggest 2014-2016 ROEs of about 22% at ITUB, 19% at BBDC, 14% to 16% at BBAS, 20.5% to 21.5% at BBTG, and 2014-2016 ROTEs of 10% to 11% at SANB. They also indicate recurring EPS growth of 20% in 2014 at ITUB (followed by 15% in 2015 and 2016), 17% in 2014 at BBDC (followed by 15% in 2015 and 2016), 1% in 2014 at BBAS (followed by 15% in 2015 and 2016), as well as recurring EPU growth of 28% in 2014 at BBTG (followed by 20% in 2015 and 2016), and 15% in 2014 at SANB (followed by 14%-15% in 2015-2016).
- **Key operating assumptions for 2014-2016** – For the private-sector retail banks (ITUB, BBDC, SANB), we project: (1) 10% loan growth in each of the three years; (2) moderate net interest margin (NIM) compression (10 bps per year) at ITUB and BBDC, and more significant NIM contraction (80 bps in 2014, 20 bps in 2015 and 10 bps in 2016) at SANB, reflecting a more conservative loan mix; (3) continued decline in LLPs (measured as a % of average loans), again as a result of a less-risky loan mix; and (4) 5% to 6% OpEx growth (10.5% in 2014 for ITUB, only because of the incorporation of Credicard). For BBAS, we forecast: (1) 17.5% loan growth in 2014, and 15% in 2015 and 2016; (2) 30 bps NIM compression in 2014, and 10 bps in 2015 and 2016; (3) stable LLPs (calculated as a % of average loans); and (4) 6% to 7% OpEx growth. Finally, for BBTG, we estimate: (1) 30% revenue growth in 2014, driven by sales and trading and principal investments, followed by 18%-19% revenue growth in 2015-2016; and (2) a 230 bps improvement in the cost-to-income ratio over the three-year period.
- **Valuation models update – downgraded BBDC to Neutral; maintain Buy ratings on ITUB and BBTG, and Neutral ratings on BBAS and SANB** – Our proprietary *triangle of bank valuation* methodology now calculates "fair" P/B ratios of 2.4x for ITUB (vs. 2.2x currently), 1.8x for BBDC, 0.9x for BBAS and 1.8x for BBTG (exactly the levels at which these three stocks currently trade), and 0.85x for SANB (vs. 1.2x currently, as the stock price fully incorporates the expected take-out premium). For ITUB, BBDC, BBAS and BBTG, we have increased our 12-month target prices (TPs) by 15%, 8%, 14% and 14%, respectively, to reflect the roll-out of the projected book values to 3/31/15, a lower cost of equity (COE) and, in most cases, our higher EPS estimates. For SANB, on the other hand, we left our TP unchanged, as it already reflected the proposed tender offer price, defined in a fixed number of Santander Spain shares. **Following a 20% rally since our last model revision on March 5, BBDC's upside now appears more limited, and we have downgraded it to Neutral (from Buy) mainly on valuation considerations.**

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Data Summary

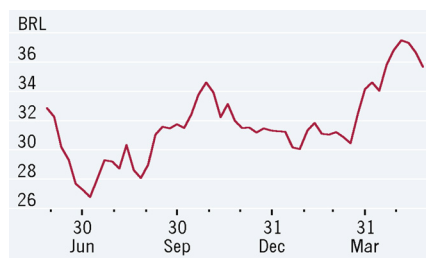
Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Banco do Brasil	BBAS3.SA	2	2	R\$21.00	R\$24.00	R\$3.61	R\$3.69
Bradesco	BBDC4.SA	1	2	R\$33.00	R\$35.50	R\$3.34	R\$3.40
BTG Pactual	BBTG11.SA	1	1	R\$35.00	R\$40.00	R\$3.97	R\$3.97
Itaú Unibanco	ITUB4.SA	1	1	R\$40.00	R\$46.00	R\$3.75	R\$3.83
Santander Brasil	SANB11.SA	2	2	R\$15.40	R\$15.40	R\$1.30	R\$1.30

Company Focus

- Estimate Change
- Target Price Change

Buy	1
Price (27 May 14)	R\$35.70
Target price	R\$46.00
from R\$40.00	
Expected share price return	28.9%
Expected dividend yield	3.6%
Expected total return	32.5%
Market Cap	R\$179,501M
	US\$80,215M

Price Performance
(RIC: ITUB4.SA, BB: ITUB4 BZ)



Itaú Unibanco (ITUB4.SA)

- **Earnings model update** – We have thoroughly revised our earnings model for ITUB (Figures 17-23) post 1Q14 results and incorporating the key takeaways gathered during our recent conversations with management. As a result, we have increased our 2014-2016 recurring EPS estimates by about 2% in each year, to R\$3.83, R\$4.40 and R\$5.06 respectively.
- **Bottom-line growth and ROE** – Our new estimates imply recurring net income growth of 20% in 2014, and 15% in each of 2015-2016. In addition, they suggest recurring ROEs of 22.0% in each of 2014-2015, and 21.7% in 2016.
- **2014-2016 main assumptions** – We project for 2014-2016: (1) annual loan growth of 10% each year in 2014-2016; (2) net interest income (NII) growth of 8.9% in 2014, 7.8% in 2015 and 7.5% in 2016; (3) fee income growth of 16% in 2014, followed by 12% growth in each of 2015-2016; (4) loan loss provisions (LLPs) to decline 3% in 2014, and grow 7.0%-7.5% in 2015-2016; (5) the bank's NPL ratio (measured with loans overdue 60 days or more) to continue declining, and reach 4.1% as of 12/31/14, and 4.0% as of 12/31/15 and 12/31/16; and (6) operating expenses to grow 10.5% in 2014 (only because of the incorporation of Credicard), followed by growth of 6% in 2015, and 5% in 2016.
- **Increase target price (TP) to R\$46.00; reiterate Buy rating** – As a result of our higher EPS estimates, the lower cost of equity (COE) and the roll-out of the projected book value, we have increased our 12-month TP for ITUB to R\$46.00. Our new TP implies an ETR of 32.5% over the next 12 months, including a 3.6% dividend yield.

Itaú Unibanco - Key Data and Ratios	2010	2011	2012	2013	2014E	2015E	2016E
Loan growth (%)	20.5	18.3	7.5	13.3	10.0	10.0	10.0
NII growth (%)	4.4	10.5	5.7	-8.7	8.9	7.8	7.5
NIM (%)	7.0	6.5	5.9	4.8	4.7	4.6	4.5
NPL ratio (%)	5.1	5.9	5.7	4.4	4.1	4.0	4.0
Loan loss provisions (LLPs) as % of average loans (%)	5.9	6.4	6.8	4.8	4.2	4.1	4.0
NIM after LLPs (%)	4.5	3.8	3.2	2.9	3.2	3.1	3.1
Fee income growth (%)	14.4	-4.3	8.5	22.1	16.0	12.0	12.0
Personnel and administrative expense growth (%)	12.7	2.3	1.9	8.0	10.5	6.0	5.0
ROE, excluding nonrecurring items (%)	23.4	22.1	19.2	20.4	22.0	22.0	21.7
EPS, excluding nonrecurring items (R\$ per share)	2.61	0.13	2.83	3.19	3.83	4.40	5.06
EPS growth, excluding nonrecurring items (%)	23.6	0.0	-3.8	12.8	20.0	14.9	15.0

Source: Company reports and Citi Research

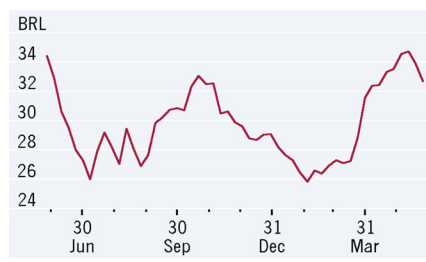
Company Focus

- Estimate Change
- Target Price Change
- Rating Change

Neutral	2
from Buy	
Price (27 May 14)	R\$32.20
Target price	R\$35.50
from R\$33.00	
Expected share price return	10.2%
Expected dividend yield	3.2%
Expected total return	13.4%
Market Cap	R\$135,474M
	US\$60,540M

Price Performance

(RIC: BBDC4.SA, BB: BBDC4 BZ)



Bradesco (BBDC4.SA)

■ **Earnings model update** – We have thoroughly revised our earnings model for BBDC (Figures 24-30) post 1Q14 results and incorporating the key takeaways gathered during our recent conversations with management. As a result, we have increased our 2014-2016 recurring EPS estimates, increasing them by 2% in each year, to R\$3.40, R\$3.91 and R\$4.50, respectively.

■ **Bottom line growth and ROE** – Our new estimates imply recurring net income growth of 17% in 2014 and 15% in each of 2015-2016. In addition, they suggest recurring ROEs of 18.8% in 2014, 18.9% in 2015, and 19.0% in 2016.

■ **2014-2016 main assumptions** – We project for 2014-2016: (1) annual loan growth of 10% each year in the period 2014-2016; (2) net interest income (NII) growth of 6% in 2014, followed by growth of 8% in each of 2015-2016; (3) fee income growth of 12% in each of 2014-2016; (4) we expect loan loss provisions (LLPs) to decline 2% in 2014, followed by growth of 8% in each of 2015-2016; (5) we forecast that the bank's NPL ratio (measured with loans overdue 60 days or more) will continue to decline, and reach 4.4% as of 12/31/14, 4.3% as of 12/31/15 and 12/31/16; (6) we expect operating expenses to grow 5% in 2014, and 6% in each of 2015-2016.

■ **Raised TP by 9%; but downgraded to Neutral on valuation** – We have raised our 12 month target price (TP) for BBDC to R\$35.50, from R\$33.00, mainly reflecting our higher EPS estimates, a 20 bps decline in the applicable cost of equity (COE) and the rollout of the book value per share to 3/31/15. Our new TP implies an ETR of 13.4% over the next 12 months (including a 3.2% dividend yield), which is below the threshold required for a buy rating; therefore, we have cut our recommendation for BBDC to Neutral (2). In addition, we note that BBDC currently trades 6% above the 1.8x "fair" P/B multiple that our *triangle of bank valuation* methodology calculates.

Bradesco - Key Data and Ratios	2010	2011	2012	2013	2014E	2015E	2016E
Loan growth (%)	23.6	17.1	11.5	10.8	10.0	10.0	10.0
NII growth (%)	11.2	18.9	11.4	-1.2	6.0	8.0	8.0
NIM (%)	5.7	5.6	5.3	4.8	4.7	4.6	4.5
NPL ratio (%)	4.7	5.2	5.4	4.6	4.4	4.3	4.3
Loan loss provisions (LLPs) as % of average loans (%)	4.5	4.4	5.0	4.3	3.8	3.7	3.6
NIM after LLPs (%)	4.2	4.1	3.7	3.4	3.3	3.5	3.7
Fee income growth (%)	15.1	13.8	15.0	13.0	12.0	12.0	12.0
Personnel and administrative expense growth (%)	19.3	17.4	7.7	4.6	5.0	6.0	6.0
ROE, excluding nonrecurring items (%)	21.9	21.6	18.3	17.3	18.8	18.9	19.0
EPS, excluding nonrecurring items (R\$ per share)	2.37	2.68	2.74	2.91	3.40	3.91	4.50
EPS growth, excluding nonrecurring items (%)	31.1	12.9	2.6	5.9	17.1	15.0	15.0

Source: Company reports and Citi Research

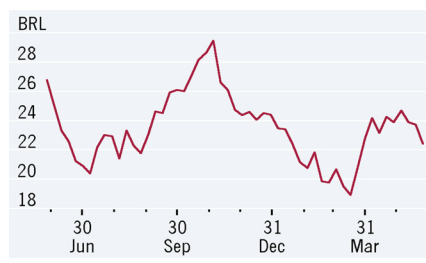
Company Focus

- Estimate Change
- Target Price Change

Neutral	2
Price (27 May 14)	R\$22.58
Target price	R\$24.00
from R\$21.00	
Expected share price return	6.3%
Expected dividend yield	6.9%
Expected total return	13.2%
Market Cap	R\$64,701M
	US\$28,913M

Price Performance

(RIC: BBAS3.SA, BB: BBAS3 BZ)



Banco do Brasil (BBAS3.SA)

- **Earnings model update** – We have thoroughly revised our earnings model for BBAS (Figures 31-37) post 1Q14 results and incorporating the key takeaways gathered during our recent conversations with management. As a result, we have increased our 2014-2016 recurring EPS estimates by 2%, 7% and 12%, respectively to R\$3.69, R\$4.25 and R\$4.88, respectively.
- **Bottom line growth and ROE** – Our new estimates imply no growth of recurring net income in 2014, followed by growth of 15% in each of 2015-2016. In addition, they suggest recurring ROEs of 14.3% in 2014, 15.0% in 2015, and 15.7% in 2016.
- **2014-2016 main assumptions** – We project for 2014-2016: (1) annual loan growth of 17.5% in 2014, 15% in each of 2015-2016; (2) net interest income (NII) growth of 6.5% in 2014, followed by growth of 13% in 2015, and 12% in 2016; (3) fee income growth of 9% in 2014, and 12% in each of 2015-2016; (4) we expect loan loss provisions (LLPs) to grow 18% in 2014, followed by growth of 17.5% in each of 2015-2016; (5) we forecast that the bank's NPL ratio (measured with loans overdue 60 days or more) will increase 10 bps in each of 2014-2016, and reach 2.6% as of 12/31/14, 2.7% as of 12/31/15 and 2.8% as of 12/31/16; (6) we expect operating expenses to grow 7% in 2014 and 2015, and 6% in 2016.
- **Raised TP by 13%; kept Neutral rating** – We have increased our TP for BBAS by 14% (to R\$24.00), as a result of our higher EPS estimates, lower cost of equity (COE) assumption and rollout of the projected book value to 3/31/15. Our new TP implies an ETR of 13.2% over the next 12 months (including a 6.9% dividend yield). We project a 13% ETR (including a 6.9% dividend yield). Therefore, we reiterate our Neutral (2) recommendation for BBAS.

Banco do Brasil - Key Data and Ratios	2010	2011	2012	2013	2014E	2015E	2016E
Loan growth (%)	19.1	18.0	24.3	18.6	17.5	15.0	15.0
NIM (%)	5.1	4.6	4.3	3.8	3.5	3.4	3.3
NPL ratio (%)	2.8	2.6	2.5	2.5	2.6	2.7	2.8
Loan loss provisions (LLPs) as % of average loans (%)	3.4	3.2	3.3	2.9	2.9	2.9	3.0
NIM after LLPs (%)	3.7	3.3	3.0	2.5	2.2	2.1	2.0
Fee income growth (%)	17.4	15.0	15.5	10.6	9.0	12.0	12.0
Personnel and administrative expense growth (%)	17.6	9.7	13.9	7.2	7.0	7.0	6.0
ROE, excluding nonrecurring items (%)	24.9	21.8	18.8	16.0	14.3	15.0	15.7
EPS, excluding nonrecurring items (R\$ per share)	3.93	4.10	4.04	3.66	3.69	4.25	4.88
EPS growth, excluding nonrecurring items (%)	19.1	4.5	-1.6	-9.5	1.0	15.0	15.0

Company Focus

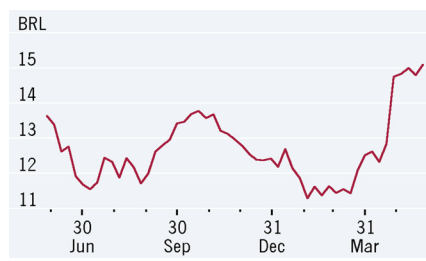
Santander Brasil (SANB11.SA)

■ Estimate Change

Neutral	2
Price (27 May 14)	R\$15.20
Target price	R\$15.40
Expected share price return	1.3%
Expected dividend yield	6.0%
Expected total return	7.3%
Market Cap	R\$57,766M
	US\$25,814M

Price Performance

(RIC: SANB11.SA, BB: SANB11 BZ)



■ **Earnings model update** – We have thoroughly revised our earnings model for SANB (Figures 38-45) post 1Q14 results and incorporating the key takeaways gathered during our recent conversations with management. We have not made changes to our 2014-2016 recurring EPU estimates (R\$1.30, R\$1.49 and R\$1.70, respectively).

■ **Bottom-line growth and ROE** – Our new estimates imply adjusted managerial net income growth (adding back the tax-effected goodwill amortization expense) of 14.7% in 2014, 14.3% in 2015, and 14.2% in 2016. In addition, they suggest recurring ROTEs of 10.0% in 2014, 10.6% in 2015, and 11.3% in 2016.

■ **2014-2016 main assumptions** – We project for 2014-2016: (1) annual loan growth of 10% each year in 2014-2016; (2) net interest income (NII) contraction of 1% in 2014 (as a result of the additional interest expenses related to the issuance of Tier I and Tier II notes in January 2014, as well as a more conservative loan mix), followed by NII growth of 7.5% in 2015, and 8.3% in 2016; (3) fee income growth of 2.5% in 2014 (explained by the sale of the bank's asset management subsidiary in 4Q13), followed by 8% growth in each of 2015-2016; (4) loan loss provisions (LLPs) to decline by 3% in 2014, followed by growth of 7.0% in 2015, and 7.5% in 2016; (5) the bank's NPL ratio (measured with loans overdue 60 days or more) to continue to decline, and reach 4.6% as of 12/31/14, and 4.5% as of 12/31/15 and 12/31/16; (6) operating expenses to grow 5% in 2014, and 6% in each of 2015-2016.

■ **TP unchanged; reiterate Neutral rating** – We have left our 12-month TP unchanged at R\$15.40, which already reflects the takeout premium embedded in the tender offer price proposed by SAN Spain. Our TP implies a 12-month ETR of 7.3%, including a 6.0% dividend yield.

Santander Brasil - Key Data and Ratios	2010	2011	2012	2013	2014E	2015E	2016E
Loan growth (%)	14.7	16.0	7.6	7.3	10.0	10.0	10.0
NII growth (%)	11.1	13.2	15.3	-7.9	-1.0	7.5	8.3
NIM (%)	9.5	10.0	10.7	9.0	8.2	8.0	7.9
NPL ratio (%)	4.7	5.5	6.6	4.6	4.6	4.5	4.5
Loan loss provisions (LLPs) as % of average loans (%)	5.1	5.2	6.5	5.3	4.2	4.0	4.0
NIM after LLPs (%)	6.5	6.6	6.3	5.5	5.4	5.3	5.2
Fee income growth (%)	5.7	14.7	12.0	7.6	2.5	8.0	8.0
Personnel and administrative expense growth (%)	0.5	10.1	9.6	3.0	5.0	6.0	6.0
ROTE ¹ , (%)	13.6	11.6	9.6	8.1	10.0	10.6	11.3
EPU ¹ , R\$ per share	1.53	1.43	1.29	1.13	1.30	1.49	1.70
Adjusted managerial net income growth, (%) ¹	64.6	-6.7	-10.1	-12.0	14.7	14.3	14.2

¹ Calculated using the adjusted managerial net income, i.e. adding back the tax-effected goodwill amortization expense

Source: Company reports and Citi Research

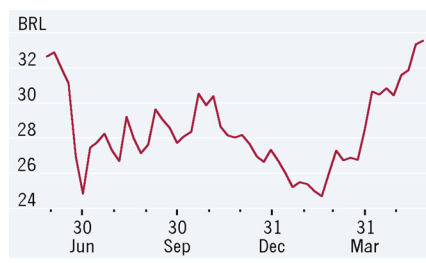
Company Focus

- Estimate Change
- Target Price Change

Buy	1
Price (27 May 14)	R\$34.10
Target price	R\$40.00
from R\$35.00	
Expected share price return	17.3%
Expected dividend yield	2.9%
Expected total return	20.2%
Market Cap	R\$30,859M
	US\$13,790M

Price Performance

(RIC: BBTG11.SA, BB: BBTG11 BZ)



BTG Pactual (BBTG11.SA)

- **Earnings model update** – We have thoroughly revised our earnings model for BTG Pactual (Figures 46-51) post 1Q14 results and incorporating the key takeaways gathered during our recent conversations with management. As a result, we have maintained our 2014-2016 recurring EPU estimates unchanged at R\$3.97 and R\$4.77 and R\$5.72, respectively.
- **Bottom line growth and ROE** – Our new estimates imply recurring net income growth of 28% in 2014, followed by growth of 20% in each of 2015-2016. In addition, they suggest recurring ROEs of 20.6% in 2014, 21.2% in 2015, and 21.6% in 2016.
- **Net revenue growth** – We estimate BTG Pactual's net revenues will grow by 30% in 2014, followed by growth of 19% in 2015, and 18% in 2016.
 - **Investment banking net revenues** – We project BTG Pactual's investment banking net revenues to decline 20% in 2015, followed by 20% growth in each of 2015-2016.
 - **Corporate lending** – We project BTG Pactual's corporate lending net revenues to grow 18% in 2014 and 15% in each of 2015-2016.
 - **Sales and trading net revenues** – We forecast BTG Pactual's sales and trading net revenues to grow 50% in 2014, 12.5% in 2015 and 20% in 2016.
 - **Asset management net revenues** – We estimate BTG Pactual's asset management net revenues to grow 25% in 2014, and 20% in each of 2015-2016.
 - **Principal investments net revenues** – We forecast net revenues from principal investments to recover to R\$950 million in 2014, followed by growth of 35% in 2015 and 17% in 2016.
- **Operating expenses** – We expect BTG Pactual's operating expenses to grow 26% in 2014, followed by growth of 18% in 2015, and 16% in 2016. We project bonus expenses as a % of net revenues (excluding interest and other) minus salaries and administrative expenses, to average 25% in each of 2014-2016.
- **Raised TP by 14% and reiterate Buy rating** – We have raised our TP for BBTG to R\$40.00, from R\$35.00, mainly as a result of our lower cost of equity (COE) assumption, and the rollover of the projected book value to 3/31/15. Our new TP implies an ETR of 20.2% over the next 12 months (including a 2.9% dividend yield). Therefore, we reiterate our Buy (1) recommendation for BBTG.

Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Total net revenue growth (%)	32.0	112.9	-13.2	29.7	19.0	18.3
Total expense growth (%)	45.9	105.7	-8.9	26.1	18.3	15.9
Cost-to-income (efficiency) ratio (%)	41.8	40.4	42.4	41.2	41.0	40.1
ROA, excluding nonrecurring items (%)	1.3	2.5	1.7	1.8	1.8	1.8
ROE, excluding nonrecurring items (%)	18.7	28.7	18.6	20.6	21.2	21.6
EPU, excluding nonrecurring items (R\$)	1.80	3.78	3.10	3.97	4.77	5.72
EPU growth, excluding nonrecurring items (%)	12.7	110.2	-18.0	28.0	20.0	20.0
Net income growth, excluding nonrecurring items (%)	38.5	125.9	-13.7	28.0	20.0	20.0

Source: Citi Research and Company reports

Valuation Considerations

Trading Multiples of Relevant Comparable Banks

Figure 1 shows the P/B multiples (based on last reported book values), P/E multiples (measured on a 2014 and 2015 basis) and dividend yields (measured on a next expected dividend distribution) of Itaú Unibanco, Bradesco, Banco do Brasil, Santander Brasil and BTG Pactual, and a sample of relevant comparable banks in Latin America.

Figure 1. Valuation Table - Selected Latin American Banks

Company	Rating	Ticker	Price	Target Price	Market Capitalization	P/B ²	P/E ³	Dividend Yield	Last Reported ROE ³
			5/27/2014		(US\$ million)		2014 2015		
Brazil									
Itaú Unibanco	Buy	ITUB4.SA	R\$ 35.70	R\$ 46.00	79,277	2.2	9.3 8.1	3.6%	22.2%
Bradesco	Neutral	BBDC4.SA	R\$ 32.20	R\$ 35.50	60,363	1.8	9.5 8.2	3.2%	19.3%
Banco do Brasil	Neutral	BBAS3.SA	R\$ 22.58	R\$ 24.00	28,288	0.9	6.1 5.3	6.9%	13.9%
Santander Brasil	Neutral	SANB11.SA	R\$ 15.20	R\$ 15.40	25,639	1.2	11.7 10.2	6.0%	8.9%
BTG Pactual	Buy	BBTG11.SA	R\$ 34.10	R\$ 40.00	13,789	1.8	8.6 7.2	2.9%	20.2%
Mexico									
Inbursa	Buy	GFIBURO.MX	P\$ 35.13	P\$ 40.55	18,217	2.8	20.0 17.4	1.3%	8.5%
Banorte	Neutral	GFNORTEO.MX	P\$ 95.20	P\$ 95.50	20,539	2.4	16.3 13.6	1.0%	13.3%
Santander Mexico	Neutral	SANMEXB.MX	P\$ 35.30	P\$ 32.50	18,599	2.4	15.7 13.7	3.2%	13.5%
Genera	Buy	GENTERA.MX	P\$ 22.57	P\$ 32.00	2,880	4.0	14.1 11.8	2.8%	27.1%
Banregio	Neutral	GFREGIO.MX	P\$ 74.96	P\$ 83.00	1,912	2.9	14.9 12.4	1.2%	21.1%
Chile									
Santander Chile	Buy	STG.SN	Ch\$ 34.66	Ch\$ 40.00	11,758	2.7	13.9 12.3	4.3%	23.9%
BCI ⁴	Buy	BCI.SN	Ch\$ 32,174	Ch\$ 40,000	6,625	2.0	11.4 9.8	2.6%	21.6%
Corbanca	Neutral	COB.SN	Ch\$ 6.75	Ch\$ 7.10	4,133	1.6	12.3 10.7	4.1%	11.3%
Peru									
Credicorp	Buy	BAP.N	S/. 431.58 US\$ 155.05	S/. 490.00 US\$ 176.04	12,367	2.9	14.6 12.4	2.0%	14.5%
Intercorp	Neutral	IFS.LM	S/. 91.30 US\$ 32.80	S/. 98.50 US\$ 35.39	2,948	2.7	12.5 10.9	5.1%	20.1%
Argentina									
Macro	Sell / High Risk	BMA.BA	Ar\$ 32.80	Ar\$ 19.00	1,639	2.0	7.6 6.1	0.0%	51.5%
BBVA Francés	Sell / High Risk	FRA.BA	Ar\$ 33.30	Ar\$ 16.50	1,528	2.1	8.9 7.1	0.0%	69.5%
Galicia	Sell / High Risk	CFG.BA	Ar\$ 13.70	Ar\$ 7.20	1,523	2.3	8.4 6.8	0.0%	43.9%
Colombia									
Bancolombia ^{1,4}	NR	CIB.N	US\$ 54.54		13,115	1.7	12.2 10.4	2.4%	12.6%

¹ Not covered by Citi Investment Research. P/E's calculated using consensus EPS estimates.

² Based on last reported book value (i.e. book value as of March 31, 2014), except for Bancolombia, whose book values is as of December 31, 2013 as the company has yet to release 1Q14 results. For BCI, we have adjusted the last reported book value to incorporate, proforma, the US\$400 MM equity offering expected for May 2014. For Bancolombia, last reported book value was adjusted pro-forma to reflect the recent capital increase concluded in March 2014.

³ Calculated excluding nonrecurring items. ROE for the three months ended March 31, 2014, except for Bancolombia, for which we calculated its ROE for the twelve months ended December 31, 2013 as the company has yet to release 1Q14 results. For Santander Brasil, we calculate its ROTE, which includes adjustments to the reported net income under Brazilian GAAP.

⁴ For BCI, market capitalization was calculated using the adjusted pro-forma number of shares that result from incorporating the US\$400 MM equity offering expected for May 2014. For Bancolombia, market capitalization was calculated using the adjusted pro-forma number of shares that result from incorporating the US\$1.3 Bn equity offering concluded in March 2014.

Source: Company Reports, CIRA Estimates, Factset, Bloomberg

As shown in **Figure 1**, on a P/E basis, Itaú Unibanco and BTG Pactual currently trade at attractive multiples as they trade at a discount to their Chilean, Mexican, Peruvian and Colombian peers. They also trade at attractive P/B multiples given the ROEs that they offer, compared to other banks in the region.

Updated Valuation: Downgraded BBDC to Neutral; Maintained ITUB and BBTG at Buy; Kept BBAS and SANB at Neutral

Itaú Unibanco

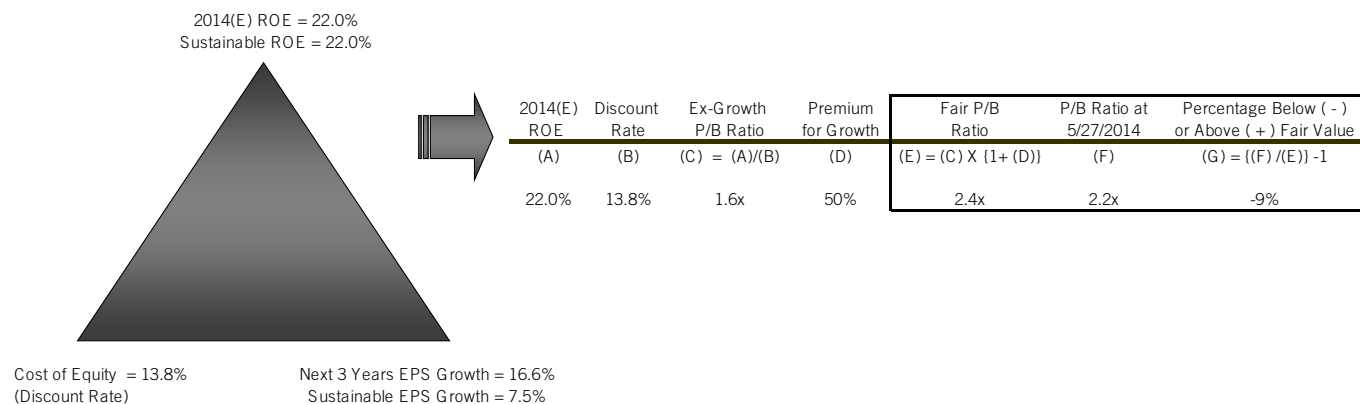
In **Figure 2** we show our cost of equity (discount rate) calculation for Itaú Unibanco. Itaú Unibanco's 13.8% cost of equity constitutes a key input in our triangle of bank valuation framework, which we have updated for Itaú Unibanco in **Figure 3**, incorporating all the changes derived from our Itaú Unibanco earnings model revision. We have factored into our proprietary valuation methodology that we now expect Itaú Unibanco's 2014 ROE to average 22.0%, and the bank's sustainable ROE to be 22.0%. We forecast that Itaú Unibanco will deliver average annual recurring EPS growth of 16.6% over the next three years, and that the bank's sustainable annual EPS growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). **Itaú Unibanco now trades at 2.2x last reported book value - i.e., a 9% discount to the 2.4x "fair" P/B ratio that the model calculates.**

Figure 2. Cost of Equity (Discount Rate) Calculation for Itaú Unibanco.

	Yield on Brazil LT Sovereign Bonds (in US Dollars)	+	LT Inflation Differential Brazil / USA	=	Yield on Brazil LT Sovereign Bonds (in Reais)		Yield on Brazil LT Sovereign Bonds (in Reais)	+	Brazil's Stock Market Equity Risk Premium	x	Beta	=	Cost of Equity (Discount Rate)
Itaú Unibanco	4.3%	+	5.0%	=	9.3%	→	9.3%	+	(5.0%)	x	0.9	=	13.8%

Source: Citi Research and Company Reports.

Figure 3. Calculation of "Fair" P/B Ratio for Itaú Unibanco.





Source: Citi Research and Company Reports.

We have increased our 12-month target price for Itaú Unibanco to R\$46.00. As shown in **Figure 4**, our new target price was derived by applying a target P/B multiple of 2.4x to the bank's projected book value per share as of 3/31/15 (R\$19.26, according to our Itaú Unibanco earnings model). As previously mentioned, 2.4x is Itaú Unibanco's "fair" P/B ratio according to our *triangle of bank valuation* model. **Itaú Unibanco now offers 28.9% upside to our target price**

plus a 3.6% dividend yield, for an expected total return (ETR) of 32.5% over the next 12 months. Consequently, we have kept our recommendation for Itaú Unibanco at Buy (1).

Figure 4. Derivation of Target Price, Expected Total Return, and Investment Recommendation for Itaú Unibanco.

Itaú Unibanco		
Book value as of 3/31/14 (R\$ million)		82,173
÷ Shares outstanding (million)	÷	<u>4,969.8</u>
Book value per share as of 3/31/14 (R\$ per share)		16.53
+ 2Q 14(E) EPS + 3Q 14(E) EPS + 4Q 14(E) EPS	+	2.91
+ 25% of 2015(E) EPS (R\$ per share)	+	1.10
- Dividends per share (R\$ per share) - to be paid in 2Q 14(E) EPS, 3Q 14E, 4Q 14(E) and 1Q 15(E)	-	<u>1.29</u>
Book value per share as of 3/31/15 (E) (R\$ per share)		19.26
X Target P/B ratio	X	2.4x
12-Month Target Price (R\$ per Share)		<u>46.00</u>
÷ Price as of 5/27/14 (R\$ per share)	÷	<u>35.70</u>
		1.289
		
Upside to 12-Month Target Price		28.9%
+ 12-Month Dividend Yield	+	<u>3.6%</u>
12-Month Expected Total Return		<u>32.5%</u>
		
Investment Recommendation = Buy (1)		

Source: Citi Research and Company Reports.

Bradesco

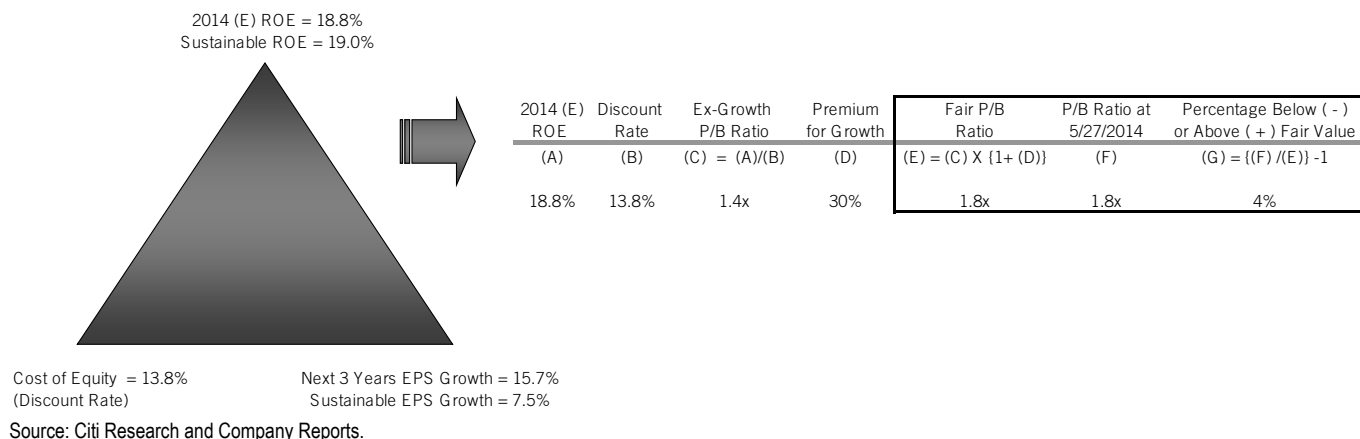
In **Figure 5**, we show our cost of equity (discount rate) calculation for Bradesco. Bradesco's 13.8% cost of equity constitutes a key input in our *triangle of bank valuation* framework, which we have included in **Figure 6**, incorporating all the changes derived from our earnings model revision. We have factored into our proprietary valuation methodology that we expect Bradesco's 2014 ROE to average 18.8%, and the bank's sustainable ROE to be 19.0%. We forecast that Bradesco will deliver average annual recurring EPS growth of 15.7% over the next three years, and that the bank's sustainable annual EPS growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). **Bradesco now trades at 1.8x last reported book value – i.e., in-line with the fair" P/B ratio that the model calculates.**

Figure 5. Cost of Equity (Discount Rate) Calculation for Bradesco.

	Yield on Brazil LT Sovereign Bonds (in US Dollars)	+	LT Inflation Differential Brazil / USA	=	Yield on Brazil LT Sovereign Bonds (in Reais)		Yield on Brazil LT Sovereign Bonds (in Reais)	+	Brazil's Stock Market Equity Risk Premium	x	Beta	=	Cost of Equity (Discount Rate)
Bradesco	4.3%	+	5.0%	=	9.3%	→	9.3%	+	(5.0%	x	0.9)	=	13.8%



Source: Citi Research and Company Reports.

Figure 6. Calculation of "Fair" P/B Ratio for Bradesco.



We have increased our 12-month target price for Bradesco to R\$35.50. As shown in Figure 7, our target price was derived by applying a target P/B multiple of 1.8x to the bank's projected book value per share as of 3/31/15 (R\$20.01, according to our Bradesco earnings model). As mentioned before, 1.8x is Bradesco's "fair" P/B ratio according to our *triangle of bank valuation* model. **Bradesco currently offers 10.2% upside to our target price plus a 3.2% dividend yield, for an expected total return (ETR) of 13.4% over the next 12 months. Therefore, we downgraded BBDC to Neutral (2).**

Figure 7. Derivation of Target Price, Expected Total Return, and Investment Recommendation for Bradesco.

Bradesco			
	Book value as of 3/31/14 (R\$ million)		73,326
÷	Shares outstanding (million)	÷	<u>4.195</u>
	Book value per share as of 3/31/14 (R\$ per share)		17.48
+	2Q14E, 3Q14E, 4Q14E EPS (R\$ per unit)	+	2.58
+	25% 2015E EPS (R\$ per unit)	+	0.98
-	Dividends per share (R\$ per share) - to be paid in 2Q14(E) EPS, 3Q14E, 4Q14(E) and 1Q15(E)	-	<u>1.03</u>
	Book value per share as of 3/31/15 (E) (R\$ per share)		20.01
X	Target P/B ratio	X	<u>1.8x</u>
12-Month Target Price (R\$ per Share)			35.50
÷	Price as of 5/27/14 (R\$ per share)	÷	<u>32.20</u>
			1.102
			
	Upside to 12-Month Target Price		10.2%
+	12-Month Dividend Yield	+	<u>3.2%</u>
12-Month Expected Total Return			<u>13.4%</u>
			
Investment Recommendation = Neutral (2)			

Source: Citi Research and Company Reports.

Banco do Brasil

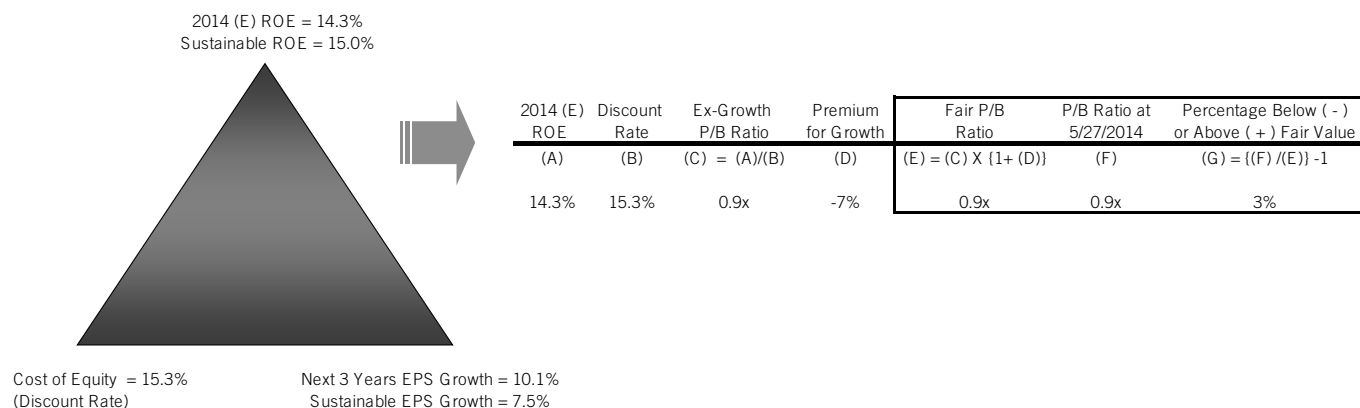
In **Figure 8**, we show our cost of equity (discount rate) calculation for Banco do Brasil. Banco do Brasil's 15.3% cost of equity constitutes a key input in our *triangle of bank valuation* framework, which we have included in **Figure 9**, incorporating all the changes derived from our earnings model revision. We have factored into our proprietary valuation methodology that we expect Banco do Brasil's 2014 ROE to average 14.3%, and the bank's sustainable ROE to be 15.0%. We forecast that Banco do Brasil will deliver average annual recurring EPS growth of 10.1% over the next three years, and that the bank's sustainable annual EPS growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). **Banco do Brasil now trades at 0.9x last reported book value – i.e., in-line with the "fair" P/B ratio that the model calculates.**

Figure 8. Cost of Equity (Discount Rate) Calculation for Banco do Brasil.

	Yield on Brazil LT Sovereign Bonds (in US Dollars)	+	LT Inflation Differential Brazil / USA	=	Yield on Brazil LT Sovereign Bonds (in Reais)		Yield on Brazil LT Sovereign Bonds (in Reais)	+	Brazil's Stock Market Equity Risk Premium	x	Beta	=	Cost of Equity (Discount Rate)
Banco do Brasil	4.3%	+	5.0%	=	9.3%	→	9.3%	+	(5.0%)	x	1.2)	=	15.3%

Source: Citi Research and Company Reports.



Figure 9. Calculation of "Fair" P/B Ratio for Banco do Brasil.



Source: Citi Research and Company Reports.

We have increased our 12-month target price for Banco do Brasil to R\$24.00. As shown in **Figure 10**, our target price was derived by applying a target P/B multiple of 0.9x to the bank's projected book value per share as of 3/31/15 (R\$27.66, according to our Banco do Brasil earnings model). As mentioned before, 0.9x is Banco do Brasil's "fair" P/B ratio according to our *triangle of bank valuation* model. **Banco do Brasil now offers 6.3% upside to our target price plus a 6.9% dividend yield, for an expected total return (ETR) of 13.2% over the next 12 months. Hence, we rate shares of Banco do Brasil at Neutral (2).**

Figure 10. Derivation of Target Price, Expected Total Return, and Investment Recommendation for Banco do Brasil.

Banco do Brasil		
Book value as of 3/31/14 (R\$ million)		71,034
÷ Shares outstanding (million)	÷	<u>2,803.7</u>
Book value per share as of 3/31/14 (R\$ per share)		25.34
+ 2Q 14E, 3Q 14E, 4Q 14E EPS (R\$ per unit)	+	2.82
+ 25% 2015E EPS (R\$ per unit)	+	1.06
- Dividends per share (R\$ per share) - to be paid in 2Q 14(E) EPS, 3Q 14E, 4Q 14(E) and 1Q 15(E)	-	<u>1.55</u>
Book value per share as of 3/31/15 (E) (R\$ per share)		27.66
X Target P/B ratio	X	<u>0.9x</u>
12-Month Target Price (R\$ per Share)		24.00
÷ Price as of 5/27/14 (R\$ per share)	÷	<u>22.58</u>
		1.063
		
Upside to 12-Month Target Price		6.3%
+ 12-Month Dividend Yield	+	<u>6.9%</u>
12-Month Expected Total Return		13.2%
		
Investment Recommendation = Neutral (2)		

Source: Citi Research and Company Reports.

Santander Brasil

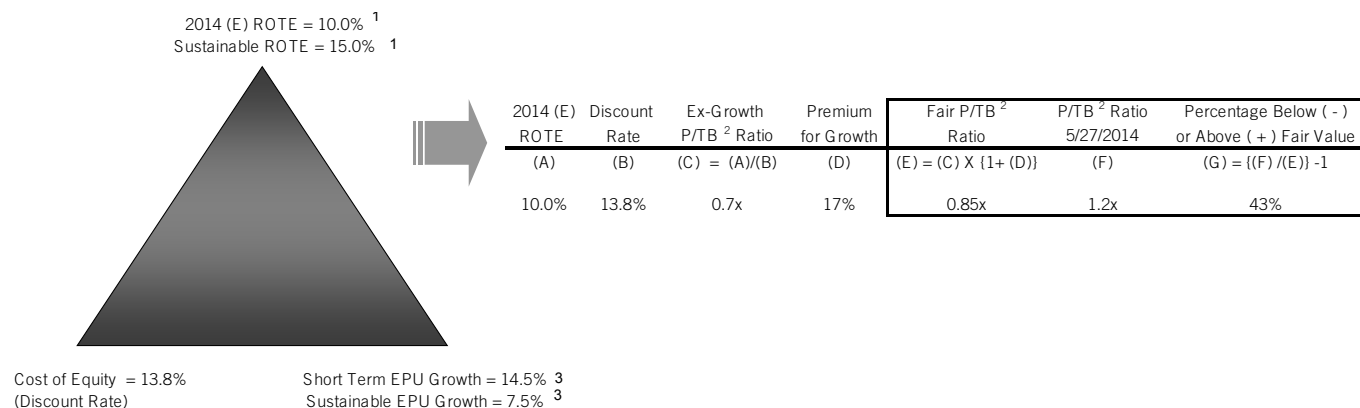
In **Figure 11**, we show our cost of equity (discount rate) calculation for Santander Brasil. Santander Brasil's 13.8% cost of equity constitutes a key input in our *triangle of bank valuation* framework, which we have included in **Figure 12**, incorporating all the changes derived from our earnings model revision. We have factored into our proprietary valuation methodology that we expect Santander Brasil's 2014 ROTE to average 10.0%, and the bank's sustainable ROTE to be 15.0%. We forecast that Santander Brasil will deliver average annual recurring EPU growth of 14.5% over the next three years, and that the bank's sustainable annual EPU growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). Santander Brasil now trades at 1.2x last reported tangible book value – i.e., 43% above the fundamentally-derived 0.85x “fair” price-to-tangible book value ratio that the model calculates.

Figure 11. Cost of Equity (Discount Rate) Calculation for Santander Brasil

	Yield on Brazil LT Sovereign Bonds (in US Dollars)	+	LT Inflation Differential Brazil / USA	=	Yield on Brazil LT Sovereign Bonds (in Reais)		Yield on Brazil LT Sovereign Bonds (in Reais)	+	Brazil's Stock Market Equity Risk Premium	x	Beta	=	Cost of Equity (Discount Rate)
Santander Brasil	4.3%	+	5.0%	=	9.3%	→	9.3%	+	(5.0%)	x	0.9)	=	13.8%

Source: Citi Research and Company Reports

Figure 12. Calculation of "Fair" P/B Ratio for Santander Brasil



¹ Calculated using adjusted managerial net income

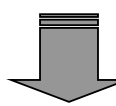
² P/TB = price-to-tangible book value

³ EPU growth = adjusted managerial net income per unit growth

Source: Citi Research and Company Reports

We have kept our 12-month TP for SANB unchanged at R\$15.40. As shown in Figure 13, our TP was derived by applying a target price-to-tangible book value multiple of 0.85x to the bank's projected tangible book value per unit as of 3/31/15 (R\$13.77 according to our SAN Brasil earnings model), and then adding a 31.6% takeout premium. **SANB currently offers 1.3% upside to our TP, plus a 6.0% dividend yield, for an ETR of 7.3% over the next 12 months. Therefore, we keep our recommendation for SANB at Neutral (2).**

Figure 13. Derivation of Target Price, Expected Total Return, and Investment Recommendation for Santander Brasil.

Santander Brasil			
	Book value as of 3/31/14 (R\$ million)		57,204
+	2Q 14(E) net income + 3Q 14(E) net income + 4Q 14(E) net income	+	2,221
+	25% of 2015(E) net income (R\$ million)	+	860
-	Dividends (R\$ million)	-	3,453
	Book value as of 3/31/15 (E) (R\$ millions)	=	56,832
-	Net goodwill as of 3/31/15 (E) (R\$ million)	-	4,858
=	Tangible book value as of 3/31/15 (E) (R\$ million)	=	51,974
	Units outstanding (million)		3,775
	Tangible book value per unit as of 3/31/15 (E) (R\$ per unit)		13.77
X	Target price-to-tangible book value ratio	X	0.85x
Fundamentally derived 12-Month Target Price (R\$ per Unit)			11.70
	Plus takeout premium		31.6%
12-Month Target Price (R\$ per Unit) = Tender Offer proposed by Santander parent			15.40
÷	Price as of 5/27/14 (R\$ per unit)	÷	<u>15.20</u>
			1.01
			
	Upside to 12-Month Target Price		1.3%
+	12-Month Dividend Yield	+	6.0%
12-Month Expected Total Return			7.3%

Source: Citi Research and Company Reports.

BTG Pactual

In **Figure 14**, we show our cost of equity (discount rate) calculation for BTG Pactual. BTG Pactual's 15.8% cost of equity constitutes a key input in our *triangle of bank valuation* framework, which we have included in **Figure 15**, incorporating all the input derived from our earnings model. We have factored into our proprietary valuation methodology that we expect BTG Pactual's 2014 ROE to average 20.6%,

and the bank's sustainable ROE to be 21.0%. We forecast that BTG Pactual will deliver average annual recurring EPU growth of 22.6% over the next three years, and that the bank's sustainable annual EPU growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). **BTG Pactual now trades at 1.8x last reported book value – i.e., in line with the “fair” P/B ratio that the model calculates.**

Figure 14. Cost of Equity (Discount Rate) Calculation for BTG Pactual

	Yield on Brazil LT Sovereign Bonds (in US Dollars)	+	LT Inflation Differential Brazil / USA	=	Yield on Brazil LT Sovereign Bonds (in Reais)		Yield on Brazil LT Sovereign Bonds (in Reais)	+	Brazil's Stock Market Equity Risk Premium	x	Beta	=	Cost of Equity (Discount Rate)
BTG Pactual	4.3%	+	5.0%	=	9.3%	→	9.3%	+	(5.0%)	x	1.3)	=	15.8%

Source: Citi Investment Research & Analysis



Figure 15. Calculation of “Fair” P/B Ratio for BTG Pactual



Source: Citi Research



We have increased our 12-month target price to R\$40.00. As shown in Figure 16, our target price was derived by applying a target P/B multiple of 1.8x to the bank's projected book value per unit as of 3/31/15 (R\$21.93, according to our BTG Pactual earnings model). As mentioned before, 1.8x is BTG Pactual's "fair" P/B ratio according to our *triangle of bank valuation* model. **BTG Pactual currently offers 17.3% upside to our target price plus a 2.9% dividend yield, for an expected total return (ETR) of 20.2% over the next 12 months. We therefore rate shares of BTG Pactual at Buy (1).**

Figure 16. Derivation of Target Price, Expected Total Return and Investment Recommendation for BTG Pactual

BTG Pactual		
Book value as of 3/31/14 (R\$ million)		16,908
÷ Units outstanding (million)	÷	<u>905</u>
= Book value per unit as of 3/31/14 (R\$ per unit)	=	18.68
+ 2Q14E, 3Q14E, 4Q14E EPS (R\$ per unit)	+	3.05
+ 25% 2015E EPS (R\$ per unit)	+	1.19
- Dividends per unit (R\$ per unit) - to be paid in 2014E	-	0.99
= Book value per unit as of 3/31/15 (R\$ per unit)	=	<u>21.93</u>
X Target P/B Ratio	X	1.8x
12-Month Target Price (R\$ per unit)		<u>40.00</u>
÷ Price as of 5/27/14 (R\$ per unit)	÷	<u>34.10</u>
		1.173
		
Upside to 12-Month Target Price		17.3%
+ 12-Month Dividend Yield	+	<u>2.9%</u>
12-Month Expected Total Return		<u>20.2%</u>
		
Investment Recommendation = Buy (1)		



Source: Citi Research

Figure 17. Itaú Unibanco Earnings Model – Summary Ratios

			<u>Itaú Unibanco</u> <u>Pro Forma</u> <u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Mar-14</u>	<u>Jun-14E</u>	<u>Sep-14E</u>	<u>Dec-14E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>
Summary ratios															
Nominal R\$ million, except where indicated															
Net income			10,004	10,067	13,323	14,621	13,594	15,696	4,419	4,656	4,751	5,068	18,894	21,853	25,131
Net income growth				0.6%	32.3%	9.7%	-7.0%	15.5%	-4.9%	5.4%	2.0%	6.7%	20.4%	15.7%	15.0%
Average shares outstanding (million)			4,956.9	4,968.6	4,989.0	4,984.5	4,967.6	4,964.7	4,964.5	4,969.8	4,969.8	4,969.8	4,964.5	4,969.8	4,969.8
EPS (R\$)			2.02	2.03	2.67	2.93	2.74	3.16	0.89	0.94	0.96	1.02	3.81	4.40	5.06
EPS growth				0.4%	31.8%	9.8%	-6.7%	15.5%	-5.0%	5.3%	2.0%	6.7%	20.4%	15.5%	15.0%
Net income, excluding nonrecurring items			10,571	10,491	13,024	14,641	14,043	15,836	4,529	4,656	4,751	5,068	19,004	21,853	25,131
Net income growth, excluding nonrecurring items				-0.8%	24.1%	12.4%	-4.1%	12.8%	-3.2%	2.8%	2.0%	6.7%	20.0%	15.0%	15.0%
Average shares outstanding			4,956.9	4,968.6	4,989.0	4,984.5	4,967.6	4,964.7	4,964.5	4,969.8	4,969.8	4,969.8	4,964.5	4,969.8	4,969.8
EPS, excluding nonrecurring items (R\$)			2.13	2.11	2.61	2.94	2.83	3.19	0.91	0.94	0.96	1.02	3.83	4.40	5.06
EPS growth, excluding nonrecurring items				-1.0%	23.6%	12.5%	-3.8%	12.8%	-3.4%	2.7%	2.0%	6.7%	20.0%	14.9%	15.0%
EPADR (US\$) - ADR ratio 1:1			1.06	1.04	1.54	1.70	1.40	1.45	0.37	0.40	0.42	0.43	1.60	1.74	1.93
EPADR growth				-2.2%	47.9%	10.3%	-17.6%	3.8%	-9.0%	7.5%	4.9%	2.4%	10.3%	8.7%	10.6%
Book value			43,664	50,683	60,879	71,347	74,220	81,024	82,173	85,433	88,758	91,875	91,875	107,172	124,764
Book value growth				16.1%	20.1%	17.2%	4.0%	9.2%	1.4%	4.0%	3.9%	3.5%	13.4%	16.7%	16.4%
Shares outstanding (million)			4,956.9	4,980.7	4,998.8	4,965.0	4,970.2	4,959.2	4,969.8	4,969.8	4,969.8	4,969.8	4,969.8	4,969.8	4,969.8
Book value per share			8.81	10.18	12.18	14.37	14.93	16.34	16.53	17.19	17.86	18.49	18.49	21.56	25.10
Book value per share growth				15.5%	19.7%	18.0%	3.9%	9.4%	1.2%	4.0%	3.9%	3.5%	13.1%	16.7%	16.4%
Balance sheet growth															
Nominal credit growth (%)				2.4	20.5	18.3	7.5	13.3	-0.7	2.2	3.1	5.2	10.0	10.0	10.0
Real credit growth (%)				-1.9	13.8	11.1	1.5	7.0	-2.8	0.4	2.4	3.2	3.2	3.5	4.3
Nominal deposit growth (%)				-7.5	6.3	19.7	0.2	12.8	1.4	2.3	2.3	2.9	9.1	10.0	10.0
Real deposit growth (%)				-11.3	0.4	12.4	-5.3	6.5	-0.8	0.0	0.0	0.0	2.4	3.5	4.3
Asset quality															
NPL ratio (%)			4.5	6.6	5.1	5.9	5.7	4.4	4.2	4.2	4.1	4.1	4.1	4.0	4.0
Coverage ratio of NPLs (%)			184.4	147.6	148.0	126.0	133.4	146.0	146.2	145.0	145.0	145.0	145.0	145.0	145.0
Coverage ratio of gross loans and leases (%)			8.3	9.8	7.5	7.5	7.6	6.4	6.1	6.1	5.9	5.9	5.9	5.8	5.8
Provisions for loan losses / average gross loans and leases (%)			5.4	6.7	5.9	6.4	6.8	4.8	4.1	4.3	4.3	4.3	4.2	4.1	4.0
Provisions for loan losses / net interest income (%)			31.4	38.3	35.7	41.4	46.4	39.0	34.0	34.9	35.2	34.8	34.8	34.5	34.5
Chargeoffs / average gross loans and leases (%)			3.9	5.1	5.9	5.0	6.2	5.6	5.4	3.9	4.2	3.1	4.0	3.6	3.4
Provisions for loan losses			11,286	16,398	15,936	20,426	24,210	18,580	4,252	4,400	4,576	4,791	18,020	19,281	20,727
Chargeoffs			8,226	12,490	16,123	16,159	22,143	21,770	5,564	4,042	4,410	3,472	17,489	17,320	17,838
Nonperforming loans			10,833	16,297	15,059	20,448	20,791	18,065	17,127	17,518	17,632	18,542	18,542	19,895	21,888
Loan loss reserves			19,972	24,052	22,292	25,772	27,745	26,371	25,042	25,400	25,567	26,886	26,886	28,847	31,737
Gross loans and leases			241,043	245,951	297,102	345,483	366,285	412,235	408,291	417,083	430,055	452,242	452,242	497,370	547,190
Capital															
Average equity / average total assets (%)				7.6	8.2	8.3	7.8	7.3	7.4	7.5	7.5	7.6	7.6	7.8	8.2
BIS ratio (%)			16.3	16.7	15.4	16.4	16.7	16.6	15.6						
Tier I ratio (%)			12.5	13.7	11.8	12.6	10.9	11.6	11.1						
Tier II ratio (%)			3.8	3.0	3.6	3.8	5.8	5.0	4.5						



Source: Citi Research and Company Reports

Figure 18. Itaú Unibanco Earnings Model – Summary Ratios (Continued)

			<u>Itaú Unibanco</u> <u>Pro Forma</u> <u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Mar-14</u>	<u>Jun-14E</u>	<u>Sep-14E</u>	<u>Dec-14E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>
Summary ratios (continued)															
Nominal R\$ million, except where indicated															
Liquidity															
Deposits/ assets (%)			32.6	31.4	26.8	28.5	24.0	24.8	25.1	24.9	24.7	24.6	24.6	24.5	24.4
Deposits/ gross loans and leases (%)			85.5	77.6	68.2	70.2	66.4	66.6	68.1	68.2	67.7	66.2	66.2	66.2	66.2
Purchased funds/ assets (%)			34.1	34.4	41.1	39.9	45.6	43.0	43.1	43.2	43.3	43.3	43.3	43.1	42.9
Purchased funds/ gross loans and leases (%)			89.6	85.0	104.5	98.4	126.2	115.4	117.0	118.3	118.5	116.4	116.4	116.5	116.5
Liquid assets/ assets (%)			46.3	46.8	49.2	48.6	52.9	49.9	50.5	50.8	50.8	50.2	50.2	50.5	50.8
Gross loans and leases/ assets (%)			38.1	40.4	39.3	40.6	36.1	37.3	36.9	36.5	36.6	37.2	37.2	37.0	36.8
Profitability and efficiency															
Return on assets, as reported (%)			1.9	1.6	2.0	1.8	1.5	1.5	1.6	1.7	1.6	1.7	1.6	1.7	1.8
Return on assets, excluding nonrecurring items (%)			2.0	1.7	1.9	1.8	1.5	1.5	1.6	1.7	1.6	1.7	1.6	1.7	1.8
Return on equity, as reported (%)			23.7	21.3	23.9	22.1	18.7	20.2	21.7	22.2	21.8	22.4	21.9	22.0	21.7
Return on equity, excluding nonrecurring items (%)			24.9	22.1	23.4	22.1	19.2	20.4	22.2	22.2	21.8	22.4	22.0	22.0	21.7
Net interest margin (%)				7.3	7.0	6.5	5.9	4.8	4.8	4.8	4.8	4.9	4.7	4.6	4.5
Noninterest expense/ average total assets, as reported (%)				4.4	4.5	3.9	3.5	3.3	3.2	3.3	3.4	3.5	3.3	3.2	3.1
Fee income / personnel expenses (%)			155.0	126.2	136.8	124.0	131.4	142.7	157.0	150.6	149.2	149.2	151.3	159.9	170.5
Fee income / administrative expenses (%)			132.5	130.6	124.4	119.9	128.2	150.9	162.6	156.0	154.5	154.5	156.7	165.6	176.6
Fee income / personnel and administrative expenses (%)			71.4	64.2	65.1	61.0	64.9	73.3	79.9	76.6	75.9	75.9	77.0	81.3	86.8
Efficiency ratio (%)			46.4	46.2	46.6	43.7	42.9	45.9	45.1	45.6	46.4	46.5	45.9	44.7	43.2
Dividend payout ratio (% of current period net income)			32.0	39.5	33.6	34.6	25.4	20.7	20.3	30.0	30.0	38.5	30.0	30.0	30.0
ROE/ROA Dupont decomposition analysis															
ROE, excluding nonrecurring items (%)				22.1	23.4	22.1	19.2	20.4	22.2	22.2	21.8	22.4	22.0	22.0	21.7
x Average equity / average total assets (%)				7.6	8.2	8.2	7.8	7.3	7.4	7.5	7.5	7.6	7.4	7.8	8.2
= ROA, excluding nonrecurring items (%)				1.7	1.9	1.8	1.5	1.5	1.6	1.7	1.6	1.7	1.6	1.7	1.8
ROA decomposition (all items as % of average total assets):															
Net interest income (%)				6.9	6.6	6.1	5.6	4.5	4.5	4.5	4.5	4.6	4.5	4.4	4.2
- Provisions for loan losses (%)				2.6	2.3	2.5	2.6	1.8	1.5	1.6	1.6	1.6	1.6	1.5	1.5
+ Noninterest income (%)				2.7	3.2	2.9	2.5	2.7	2.6	2.8	2.9	3.0	2.8	2.8	2.8
- Noninterest expense (%)				4.4	4.5	3.9	3.5	3.3	3.2	3.3	3.4	3.5	3.3	3.2	3.1
- Income tax, social contrib, profit sharing, minority interest (%)				0.8	0.9	0.7	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8
= ROA, excluding nonrecurring items (%)				1.7	1.9	1.8	1.5	1.5	1.6	1.7	1.6	1.7	1.6	1.7	1.8

Source: Citi Research and Company Reports

Figure 19. Itaú Unibanco Earnings Model – Income Statement



			<u>Itaú Unibanco</u> <u>Pro Forma</u> <u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Mar-14</u>	<u>Jun-14E</u>	<u>Sep-14E</u>	<u>Dec-14E</u>	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>
Income statement															
Nominal R\$ million															
Net interest income			35,990	42,779	44,661	49,353	52,157	47,637	12,488	12,605	12,993	13,768	51,854	55,886	60,098
Provisions for loan losses			11,286	16,398	15,936	20,426	24,210	18,580	4,252	4,400	4,576	4,791	18,020	19,281	20,727
Net interest income after provisions			24,704	26,381	28,725	28,927	27,947	29,058	8,236	8,205	8,417	8,976	33,834	36,605	39,370
Fee income			14,467	15,264	17,462	16,716	18,139	22,148	6,057	6,178	6,518	6,941	25,694	28,777	32,230
Net result from insurance operations			2,216	2,432	2,659	4,797	5,103	5,594	1,366	1,414	1,520	1,620	5,920	6,630	7,426
Equity in earnings of associated companies			194	153	225	-	-	-	-	-	-	-	-	-	-
Other operating income / (loss)			(1,272)	(1,065)	1,316	1,417	542	706	(238)	200	250	260	472	490	515
Total noninterest income			15,605	16,784	21,662	22,930	23,784	28,448	7,185	7,792	8,288	8,822	32,085	35,897	40,171
Personnel expenses *			9,336	12,092	12,769	13,485	13,800	15,520	3,859	4,102	4,369	4,652	16,982	18,001	18,901
Administrative expenses			10,922	11,688	14,039	13,940	14,150	14,680	3,726	3,961	4,218	4,492	16,397	17,381	18,250
Total operating expenses			20,258	23,780	26,808	27,425	27,950	30,200	7,585	8,063	8,587	9,145	33,378	35,381	37,150
Taxes other than income tax			3,693	3,812	4,207	4,168	4,619	4,709	1,288	1,236	1,284	1,363	5,171	5,634	6,181
Non operating expense / (income)			(17)	(69)	(79)	-	-	-	-	-	-	-	-	-	-
Total noninterest expense			23,934	27,523	30,936	31,593	32,570	34,909	8,873	9,298	9,870	10,507	38,549	41,016	43,332
Earnings before tax			16,375	15,642	19,450	20,265	19,161	22,596	6,547	6,698	6,834	7,291	27,370	31,487	36,210
Income tax, social contribution and profit sharing *			5,272	4,287	5,499	5,509	5,056	6,623	1,955	2,009	2,050	2,187	8,201	9,446	10,863
Earnings before minority interest and nonrecurring items			11,103	11,355	13,951	14,755	14,105	15,973	4,593	4,689	4,784	5,103	19,168	22,041	25,347
Minority interest			533	864	927	115	63	137	64	32	33	35	164	187	215
Nonrecurring income / (expense) **			(567)	(424)	299	(20)	(449)	(141)	(110)	-	-	-	(110)	-	-
Net income			10,004	10,067	13,323	14,621	13,594	15,696	4,419	4,656	4,751	5,068	18,894	21,853	25,131

* In 2008, profit sharing is classified in the "Income tax, social contribution and profit sharing" line. Starting in 1Q09, profit sharing was reclassified to personnel expenses.

** In 1Q09 and 2Q09, goodwill amortization arising from the acquisition of additional shares of Redecard as well as provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s. Also, in 2Q09 non-recurring gain from the sale of VisaNet's shares in IPO. In 3Q09, nonrecurring expense mostly related to the restructuring of Itaú Unibanco's exclusivity agreement with Companhia Brasileira de Distribuição (CBD). In 4Q09, one-time gain from a favorable tax settlement with the government as well as gain related to the restructuring of Itaú Unibanco's exclusivity agreement with Companhia Brasileira de Distribuição (CBD), partially offset by provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s. In 1Q10, one-time gain from a favorable tax settlement with the government, partially offset by provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s. In 2Q10 and 3Q10, provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s.



Source: Citi Research and Company Reports

Figure 20. Itaú Unibanco Earnings Model – Balance Sheet

			Itaú Unibanco Pro Forma 2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sen-14E	Dec-14E	2014E	2015E	2016E
Balance sheet	Nominal R\$ million														
ASSETS															
Cash and due from banks	15,888	10,652	10,504	10,662	13,972	16,583	16,150	20,103	20,784	17,191	17,191	19,540	22,794		
Interbank deposits	138,773	153,708	172,439	214,976	246,639	237,746	276,120	282,471	288,121	293,739	293,739	329,575	369,124		
Marketable securities	138,344	120,189	188,853	187,880	276,174	297,334	266,582	277,245	288,335	299,868	299,868	329,855	362,841		
Cash, due from banks, and marketable securities	293,005	284,548	371,795	413,518	536,785	551,662	558,852	579,819	597,240	610,799	610,799	678,970	754,759		
Gross loans and leases	241,043	245,951	297,102	345,483	366,285	412,235	408,291	417,083	430,055	452,242	452,242	497,370	547,190		
Loan loss reserves	19,972	24,052	22,292	25,772	27,745	26,371	25,042	25,400	25,567	26,886	26,886	28,847	31,737		
Net loans and leases	221,071	221,899	274,810	319,711	338,540	385,864	383,249	391,683	404,488	425,356	425,356	468,522	515,453		
Other receivables from financial transactions	58,222	41,791	47,430	51,443	60,192	77,854	71,922	74,079	76,302	78,591	78,591	86,450	95,095		
Other assets	50,282	49,746	50,570	54,750	65,696	72,750	75,721	77,993	80,333	82,743	82,743	91,017	100,119		
Subsidiaries, affiliates and other investments	6,101	5,935	5,487	6,622	7,647	11,080	11,010	11,010	11,010	11,010	11,010	11,010	11,010		
Fixed assets	4,047	4,353	5,021	5,287	5,566	6,511	6,621	6,754	6,889	7,027	7,027	7,729	8,502		
Total assets	632,728	608,273	755,112	851,332	1,014,425	1,105,721	1,107,376	1,141,339	1,176,262	1,215,525	1,215,525	1,343,699	1,484,938		
LIABILITIES															
Demand deposits	26,933	24,837	25,532	28,933	34,916	42,891	43,217	44,297	45,405	46,767	46,767	51,443	56,588		
Savings deposits	39,296	48,222	57,899	67,170	83,451	106,166	108,932	111,110	113,332	116,732	116,732	128,406	141,246		
Core deposits	66,229	73,058	83,431	96,102	118,368	149,058	152,148	155,407	158,737	163,499	163,499	179,849	197,834		
Time deposits	137,039	115,667	117,322	144,469	117,232	117,131	120,567	123,581	126,670	130,217	130,217	143,239	157,563		
Interbank deposits	2,921	2,046	1,985	2,066	7,600	8,194	5,493	5,548	5,604	5,660	5,660	6,226	6,848		
Total deposits	206,189	190,772	202,738	242,636	243,200	274,383	278,208	284,536	291,011	299,376	299,376	329,313	362,245		
Money market repurchase commitments	124,358	131,935	199,641	188,819	288,818	292,179	288,616	298,126	307,905	318,035	318,035	350,156	385,172		
Notes and debentures	19,596	17,320	25,609	51,557	55,108	46,256	43,866	45,312	46,798	48,338	48,338	53,220	58,542		
Interbank accounts	399	291	799	121	288	613	7,428	7,673	7,925	8,185	8,185	9,012	9,913		
Interdepartmental accounts	2,609	2,787	3,256	3,927	4,691	4,504	5,338	5,514	5,695	5,882	5,882	6,476	7,124		
Borrowings and onlendings	42,636	34,692	47,412	56,602	59,125	76,653	76,927	79,462	82,068	84,768	84,768	93,330	102,663		
Securitization of foreign payment orders	3,829	-	-	-	-	-	-	-	-	-	-	-	-		
Subordinated debt	22,465	22,038	33,830	38,974	54,372	55,639	55,534	57,364	59,246	61,195	61,195	67,376	74,113		
Purchased funds	215,892	209,062	310,546	340,000	462,402	475,845	477,711	493,451	509,636	526,404	526,404	579,570	637,527		
Other liabilities	122,891	101,812	115,853	121,454	140,491	170,505	162,769	169,280	176,051	184,854	184,854	203,339	223,673		
Technical provision of insurance, annuities and retirement plans	41,574	52,404	61,365	73,754	93,210	102,060	104,595	106,687	108,821	110,997	110,997	122,097	134,307		
Minority interest	2,519	3,540	3,731	2,139	903	1,903	1,919	1,952	1,985	2,020	2,020	2,207	2,423		
Total liabilities	589,064	557,590	694,234	779,984	940,205	1,024,697	1,025,202	1,055,906	1,087,504	1,123,650	1,123,650	1,236,527	1,360,174		
EQUITY															
Total shareholders' equity	43,664	50,683	60,879	71,347	74,220	81,024	82,173	85,433	88,758	91,875	91,875	107,172	124,764		
Total liabilities and equity	632,728	608,273	755,112	851,332	1,014,425	1,105,721	1,107,376	1,141,339	1,176,262	1,215,525	1,215,525	1,343,699	1,484,938		



Source: Citi Research and Company Reports

Figure 21. Itaú Unibanco Earnings Model – Assumptions & Drivers

			Itaú Unibanco Pro Forma 2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers															
Nominal R\$ million, except where indicated															
Macro economic assumptions															
Real GDP growth			5.6%	-0.2%	7.5%	2.7%	0.9%	2.3%					1.3%	1.8%	2.5%
Inflation (IPCA) coefficient			1.059	1.043	1.059	1.065	1.058	1.059	1.022	1.017	1.007	1.019	1.066	1.063	1.055
SELIC rate, eop			13.75%	8.75%	10.75%	11.00%	7.25%	10.00%	10.75%	11.00%	11.00%	11.00%	11.00%	12.50%	11.50%
average			12.75%	9.50%	9.85%	11.55%	8.80%	8.30%	10.38%	10.88%	11.00%	11.00%	10.75%	11.75%	12.00%
Exchange rate, eop (R\$ per US\$1.00)			2.337	1.741	1.670	1.867	2.040	2.362	2.430	2.260	2.300	2.450	2.450	2.600	2.650
average (R\$ per US\$1.00)			1.898	1.948	1.736	1.728	1.957	2.177	2.396	2.345	2.280	2.375	2.375	2.525	2.625
Key earnings drivers															
Credit Portfolio															
Nominal credit growth:															
Corporate			-12.7%	11.9%	27.6%	12.7%	19.9%	0.4%	2.0%	3.0%	5.0%	10.7%	12.0%	12.0%	12.0%
SME			20.4%	36.3%	6.8%	0.1%	-3.9%	-1.9%	2.0%	3.0%	5.0%	8.2%	6.5%	6.5%	6.5%
Individuals			9.7%	16.2%	12.7%	-1.7%	9.7%	-1.1%	2.0%	3.0%	5.0%	9.1%	9.0%	9.0%	9.0%
Directed lending			14.8%	36.8%	36.4%	27.3%	27.6%	3.5%	2.0%	3.0%	5.0%	14.1%	10.0%	10.0%	10.0%
Argentina/Chile/Uruguay			-12.6%	23.0%	43.6%	41.7%	33.4%	-5.8%	4.0%	5.0%	7.0%	10.1%	12.0%	12.0%	12.0%
Nominal credit growth			2.4%	20.5%	18.3%	7.5%	13.3%	-0.7%	2.2%	3.1%	5.2%	10.0%	10.0%	10.0%	10.0%
Gross loan and leases growth			2.0%	20.8%	16.3%	6.0%	12.5%	-1.0%	2.2%	3.1%	5.2%	9.7%	10.0%	10.0%	10.0%
Real credit portfolio growth			-1.9%	13.8%	11.1%	1.5%	7.0%	-2.8%	0.4%	2.4%	3.2%	3.2%	3.5%	4.3%	4.3%
Balances															
Corporate			102,826	89,813	100,467	128,156	144,395	173,185	173,892	177,370	182,603	191,733	191,733	214,741	240,510
SME			50,640	60,992	83,158	88,854	88,959	85,454	83,822	85,499	88,021	92,422	92,422	98,430	104,827
Individuals			93,172	102,215	118,772	133,836	131,496	144,251	142,718	145,572	149,867	157,360	157,360	171,522	186,959
Directed lending			11,898	13,653	18,682	25,488	32,452	41,418	42,864	43,721	45,011	47,262	47,262	51,988	57,187
Argentina/Chile/Uruguay			13,402	11,708	14,397	20,678	29,293	39,088	36,823	38,296	40,211	43,026	43,026	48,189	53,972
Total credit portfolio			271,938	278,382	335,476	397,012	426,595	483,397	480,120	490,459	505,713	531,802	531,802	584,869	643,455
Gross loan and leases			241,043	245,951	297,102	345,483	366,285	412,235	408,291	417,083	430,055	452,242	452,242	497,370	547,190
Difference			30,895	32,431	38,374	51,529	60,310	71,162	71,829	73,375	75,657	79,561	79,561	87,500	96,265
Loan mix															
Corporate			37.8%	32.3%	29.9%	32.3%	33.8%	35.8%	36.2%	36.2%	36.1%	36.1%	36.1%	36.7%	37.4%
SME			18.6%	21.9%	24.8%	22.4%	20.9%	17.7%	17.5%	17.4%	17.4%	17.4%	17.4%	16.8%	16.3%
Individuals			34.3%	36.7%	35.4%	33.7%	30.8%	29.8%	29.7%	29.7%	29.6%	29.6%	29.6%	29.3%	29.1%
Directed lending			4.4%	4.9%	5.6%	6.4%	7.6%	8.6%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Argentina/Chile/Uruguay			4.9%	4.2%	4.3%	5.2%	6.9%	8.1%	7.7%	7.8%	8.0%	8.1%	8.1%	8.2%	8.4%
Credit portfolio			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Absolute change															
Corporate			(13,013)	10,654	27,689	16,239	28,790	707	3,478	5,232	9,130	18,548	23,008	25,769	25,769
SME			10,352	22,166	5,696	105	(3,505)	(1,632)	1,676	2,522	4,401	6,968	6,007	6,398	6,398
Individuals			9,043	16,557	15,064	(2,340)	12,755	(1,533)	2,854	4,294	7,493	13,109	14,162	15,437	15,437
Directed lending			1,755	5,029	6,806	6,964	8,966	1,446	857	1,290	2,251	5,844	4,726	5,199	5,199
Argentina/Chile/Uruguay			(1,694)	2,689	6,281	8,615	9,795	(2,265)	1,473	1,915	2,815	3,938	5,163	5,783	5,783
Credit portfolio			6,444	57,094	61,536	29,583	56,802	(3,277)	10,339	15,254	26,090	48,406	53,067	58,585	58,585
Gross loans and leases			4,908	51,151	48,381	20,802	45,950	(3,944)	8,792	12,972	22,187	40,007	45,128	49,821	49,821
Deposits															
Nominal deposit growth:															
Demand deposits			-7.8%	2.8%	13.3%	20.7%	22.8%	0.8%	2.5%	2.5%	3.0%	9.0%	10.0%	10.0%	10.0%
Savings deposits			22.7%	20.1%	16.0%	24.2%	27.2%	2.6%	2.0%	2.0%	3.0%	10.0%	10.0%	10.0%	10.0%
Core deposits			10.3%	14.2%	15.2%	23.2%	25.9%	2.1%	2.1%	2.1%	3.0%	9.7%	10.0%	10.0%	10.0%
Time deposits			-15.6%	1.4%	23.1%	-18.9%	-0.1%	2.9%	2.5%	2.5%	2.8%	11.2%	10.0%	10.0%	10.0%
Interbank deposits			-29.9%	-3.0%	4.1%	267.9%	7.8%	-33.0%	1.0%	1.0%	1.0%	-30.9%	10.0%	10.0%	10.0%
Nominal deposit growth			-7.5%	6.3%	19.7%	0.2%	12.8%	1.4%	2.3%	2.3%	2.9%	9.1%	10.0%	10.0%	10.0%
Deposit mix															
Demand deposits			13.1%	13.0%	12.6%	11.9%	14.4%	15.6%	15.5%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Savings deposits			19.1%	25.3%	28.6%	27.7%	34.3%	38.7%	39.2%	39.0%	38.9%	39.0%	39.0%	39.0%	39.0%
Core deposits			32.1%	38.3%	41.2%	39.6%	48.7%	54.3%	54.7%	54.6%	54.5%	54.6%	54.6%	54.6%	54.6%
Time deposits			66.5%	60.6%	57.9%	59.5%	48.2%	42.7%	43.3%	43.4%	43.5%	43.5%	43.5%	43.5%	43.5%
Interbank deposits			1.4%	1.1%	1.0%	0.9%	3.1%	3.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Total deposits			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Source: Citi Research and Company Reports

Figure 22. Itaú Unibanco Earnings Model – Assumptions & Drivers (Continued)

			Itaú Unibanco Pro Forma 2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)															
Nominal R\$ million, except where indicated															
Net interest income															
Average interest earning assets			508,185	582,280	644,309	763,385	886,852	1,002,506	1,040,408	1,055,024	1,087,289	1,122,614	1,091,691	1,202,211	1,329,917
growth (%)					10.7%	18.5%	16.2%	13.0%	0.8%	1.4%	3.1%	3.2%	8.9%	10.1%	10.6%
Average yield on assets				12.6%	12.4%	13.6%	11.4%	9.6%	9.8%	9.8%	9.8%	9.9%	9.7%	10.4%	9.5%
Average interest bearing liabilities			410,958	456,559	547,961	644,119	727,915	753,074	766,953	789,318	813,213	788,004	867,332	954,328	
growth (%)				11.1%	20.0%	17.5%	13.0%	1.2%	1.8%	2.9%	3.0%	8.3%	10.1%	10.0%	
Average cost of liabilities				7.4%	7.7%	9.9%	7.7%	6.7%	6.9%	6.9%	6.9%	6.9%	6.8%	8.0%	7.0%
Implied spread				5.2%	4.7%	3.7%	3.8%	2.9%	2.9%	2.9%	3.0%	2.8%	2.4%	2.5%	
Net interest margin				7.3%	7.0%	6.5%	5.9%	4.8%	4.8%	4.8%	4.8%	4.9%	4.7%	4.6%	4.5%
Interest income			73,360	79,888	103,721	101,539	96,340	25,454	25,835	26,609	27,796	105,694	125,273	126,901	
Interest expense			30,581	35,066	54,107	49,382	48,702	12,967	13,230	13,616	14,028	53,840	69,387	66,803	
Net interest income			35,990	42,779	44,822	49,614	52,157	47,638	12,488	12,605	12,993	13,768	51,854	55,886	60,098
Fee income															
Asset management			2,183	2,250	2,526	1,885	2,135	2,474	653	666	702	748	2,768	3,100	3,472
Current account services			2,575	2,130	2,473	2,622	3,311	4,188	1,137	1,160	1,224	1,304	4,825	5,404	6,053
Loan operations and guarantees			2,506	2,405	2,803	3,146	2,607	2,883	693	707	746	795	2,941	3,294	3,690
Collection Services			1,377	1,267	1,325	1,333	1,440	1,430	363	370	390	416	1,538	1,723	1,929
Credit cards			4,369	5,817	6,603	5,733	6,641	8,983	2,601	2,653	2,799	2,981	11,035	12,360	13,843
Other			1,457	1,394	1,729	1,997	2,005	2,190	610	622	656	699	2,586	2,896	3,244
Fee income			14,467	15,264	17,460	16,716	18,139	22,148	6,057	6,178	6,518	6,941	25,694	28,777	32,230
Fee income growth															
Asset management				5.5%	14.4%	-4.3%	8.5%	22.1%	0.3%	2.0%	5.5%	6.5%	16.0%	12.0%	12.0%
Current account services				3.1%	12.3%	-25.4%	13.2%	15.9%	-1.0%	2.0%	5.5%	6.5%	11.9%	12.0%	12.0%
Loan operations and guarantees				-17.3%	16.1%	6.0%	26.3%	26.5%	1.6%	2.0%	5.5%	6.5%	15.2%	12.0%	12.0%
Collection Services				-4.0%	16.5%	12.2%	-17.1%	10.6%	-15.6%	2.0%	5.5%	6.5%	2.0%	12.0%	12.0%
Credit cards				-8.0%	4.6%	0.6%	8.0%	-0.7%	-1.9%	2.0%	5.5%	6.5%	7.6%	12.0%	12.0%
Other				33.2%	13.5%	-13.2%	15.8%	35.3%	6.6%	2.0%	5.5%	6.5%	22.8%	12.0%	12.0%
				-4.3%	24.0%	15.5%	0.4%	9.2%	-2.7%	2.0%	5.5%	6.5%	18.1%	12.0%	12.0%
Absolute change															
Asset management			797	2,196	(744)	1,422	4,009	21	121	340	424	3,546	3,083	3,453	
Current account services			67	276	(641)	250	339	(7)	13	37	46	294	332	372	
Loan operations and guarantees			(445)	343	149	689	877	18	23	64	80	637	579	648	
Collection Services			(101)	398	343	(539)	276	(128)	14	39	48	58	353	395	
Credit cards			(110)	58	7	107	(10)	(7)	7	20	25	109	185	207	
Other			1,448	786	(870)	908	2,342	162	52	146	182	2,052	1,324	1,483	
			(63)	335	268	8	185	(17)	12	34	43	396	310	348	
Asset quality															
Provisions for loan losses			11,286	16,398	15,936	20,426	24,210	18,580	4,252	4,400	4,576	4,791	18,020	19,281	20,727
Loan loss reserves			19,972	24,052	22,292	25,772	27,745	26,371	25,042	25,400	25,567	26,886	26,886	28,847	31,737
Growth in loan loss provisions			n/a	45.3%	(2.8%)	28.2%	18.5%	(23.3%)	1.4%	3.5%	4.0%	4.7%	(3.0%)	7.0%	7.5%
NPL ratio			4.5%	6.6%	5.1%	5.9%	5.7%	4.4%	4.2%	4.2%	4.1%	4.1%	4.1%	4.0%	4.0%
Coverage ratio of NPLs			184.4%	147.6%	148.0%	126.0%	133.4%	146.0%	146.2%	145.0%	145.0%	145.0%	145.0%	145.0%	145.0%
Flow of nonperforming loans				165.7%	91.3%	143.1%	110.0%	91.6%	25.6%	25.9%	25.8%	24.9%	99.5%	100.7%	99.7%
Nonperforming loans			10,833	16,297	15,059	20,448	20,791	18,065	17,127	17,518	17,632	18,542	18,542	19,895	21,888
Nonperforming loans, pre-chargeoffs			19,059	28,787	31,182	36,607	42,934	39,834	22,692	21,560	22,042	22,014	36,031	37,214	39,725
Chargeoffs			8,226	12,490	16,123	16,159	22,143	21,770	5,564	4,042	4,410	3,472	17,489	17,320	17,838
Provisions for loan losses / average gross loans and leases (%)			5.4	6.7	5.9	6.4	6.8	4.8	4.1	4.3	4.3	4.3	4.2	4.1	4.0
Chargeoffs / average gross loans and leases (%)			3.9	5.1	5.9	5.0	6.2	5.6	5.4	3.9	4.2	3.1	4.0	3.6	3.4



Source: Citi Research and Company Reports

Figure 23. Itaú Unibanco Earnings Model – Assumptions & Drivers (Continued)

			Itaú Unibanco Pro Forma 2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)															
Nominal R\$ million, except where indicated															
Other income statement drivers															
Insurance operations															
Growth in net result from insurance operations				9.7%	9.3%	80.4%	6.4%	9.6%	-2.1%	3.5%	7.5%	6.6%	5.8%	12.0%	12.0%
Operating expenses															
Personnel expenses															
Personnel expense growth				29.5%	5.6%	5.6%	2.3%	12.5%	-5.3%	6.3%	6.5%	6.5%	9.4%	6.0%	5.0%
Administrative expense growth				7.0%	20.1%	-0.7%	1.5%	3.7%	-5.2%	6.3%	6.5%	6.5%	11.7%	6.0%	5.0%
Total operating expenses				17.4%	12.7%	2.3%	1.9%	8.0%	-5.3%	6.3%	6.5%	6.5%	10.5%	6.0%	5.0%
Other operating income / (loss) % of average loans				-0.4%	0.5%	0.4%	0.2%	0.2%	-0.2%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Non operating expense / (income) % of average loans				(0.0%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minority interest (% of earning before minority interest)				7.6%	6.6%	0.8%	0.4%	0.9%	1.4%	0.7%	0.7%	0.7%	0.9%	0.9%	0.9%
COFIN, PIS and other taxes effective rate				7.3%	6.6%	6.8%	6.3%	6.6%	6.9%	6.6%	6.6%	6.6%	6.7%	6.7%	6.7%
Income tax, social contribution, and profit sharing															
Effective tax rate				32.2%	27.4%	28.3%	27.2%	26.4%	29.3%	29.9%	30.0%	30.0%	30.0%	30.0%	30.0%
Other balance sheet drivers															
Other assets															
Interbank deposit growth				10.8%	12.2%	24.7%	14.7%	-3.6%	16.1%	2.3%	2.0%	2.0%	23.6%	12.2%	12.0%
Marketable securities growth				-13.1%	57.1%	-0.5%	47.0%	7.7%	-10.3%	4.0%	4.0%	4.0%	0.9%	10.0%	10.0%
Other receivables and other assets growth				-15.6%	7.1%	8.5%	17.0%	29.3%	-2.0%	3.0%	3.0%	3.0%	0.9%	10.0%	10.0%
Fixed assets growth				7.6%	15.3%	5.3%	5.3%	17.0%	1.7%	2.0%	2.0%	2.0%	7.9%	10.0%	10.0%
Other liabilities															
Purchased funds growth				-3.2%	48.5%	9.5%	36.0%	2.9%	0.4%	3.3%	3.3%	3.3%	10.6%	10.1%	10.0%
Other liabilities growth				-17.2%	13.8%	4.8%	15.7%	21.4%	-4.5%	4.0%	4.0%	5.0%	8.4%	10.0%	10.0%
Growth in technical provision of insurance, annuities and retirement plans				26.1%	17.1%	20.2%	26.4%	9.5%	2.5%	2.0%	2.0%	2.0%	8.8%	10.0%	10.0%
Dividends				3,205	3,977	4,483	5,054	3,449	3,246	899	1,397	1,425	5,672	6,556	7,539
Dividend payout ratio (of current period net income)				32.0%	39.5%	33.6%	34.6%	25.4%	20.7%	20.3%	30.0%	30.0%	38.5%	30.0%	30.0%
Shares outstanding (million)															
Total shares outstanding				4,956.9	4,980.7	4,998.8	4,965.0	4,970.2	4,959.2	4,969.8	4,969.8	4,969.8	4,969.8	4,969.8	4,969.8
Average shares outstanding				4,956.9	4,968.6	4,989.0	4,984.5	4,967.6	4,964.7	4,964.5	4,969.8	4,969.8	4,969.8	4,964.5	4,969.8

Source: Citi Research and Company Reports

Figure 24. Bradesco Earnings Model – Summary Ratios

			2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Summary ratios															
Nominal R\$ million, except where indicated															
Net income			7,620	8,012	10,022	11,028	11,381	12,011	3,443	3,498	3,569	3,737	14,248	16,420	18,882
Net income growth			-4.9%	5.1%	25.1%	10.0%	3.2%	5.5%	11.8%	1.6%	2.0%	4.7%	18.6%	15.2%	15.0%
Average shares outstanding (million)			4,085.9	4,091.4	4,138.7	4,186.1	4,199.4	4,198.2	4,195.9	4,195.4	4,195.4	4,195.4	4,195.5	4,195.4	4,195.4
EPS (R\$)			1.86	1.96	2.42	2.63	2.71	2.86	0.82	0.83	0.85	0.89	3.40	3.91	4.50
EPS growth			-6.6%	5.0%	23.7%	8.8%	2.9%	5.6%	11.8%	1.6%	2.0%	4.7%	18.7%	15.2%	15.0%
Net income, excluding nonrecurring items			7,626	7,390	9,804	11,198	11,523	12,202	3,473	3,498	3,569	3,737	14,278	16,420	18,882
Net income growth, excluding nonrecurring items			5.8%	-3.1%	32.7%	14.2%	2.9%	5.9%	8.6%	0.7%	2.0%	4.7%	17.0%	15.0%	15.0%
Average shares outstanding (million)			4,085.9	4,091.4	4,138.7	4,186.1	4,199.4	4,198.2	4,195.9	4,195.4	4,195.4	4,195.4	4,195.5	4,195.4	4,195.4
EPS, excluding nonrecurring items (R\$)			1.87	1.81	2.37	2.68	2.74	2.91	0.83	0.83	0.85	0.89	3.40	3.91	4.50
EPS growth, excluding nonrecurring items			3.9%	-3.2%	31.1%	12.9%	2.6%	5.9%	8.6%	0.7%	2.0%	4.7%	17.1%	15.0%	15.0%
EPADR (US\$) - ADR ratio 1:1			0.98	1.01	1.40	1.52	1.39	1.32	0.34	0.36	0.37	0.38	1.43	1.55	1.71
EPADR growth			-6.6%	2.3%	38.8%	9.3%	-9.2%	-4.9%	7.2%	3.3%	4.9%	0.5%	8.7%	8.2%	10.6%
Book value			34,257	41,754	48,043	55,582	70,047	70,940	73,326	75,775	78,273	81,061	81,061	92,555	105,773
Book value growth			12.8%	21.9%	15.1%	15.7%	26.0%	1.3%	3.4%	3.3%	3.3%	3.6%	14.3%	14.2%	14.3%
Shares outstanding (million)			4,085.8	4,138.9	4,138.3	4,199.6	4,199.1	4,196.5	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4
Book value per share			8.38	10.09	11.61	13.23	16.68	16.90	17.48	18.06	18.66	19.32	19.32	22.06	25.21
Book value per share growth			11.3%	20.3%	15.1%	14.0%	26.0%	1.3%	3.4%	3.3%	3.3%	3.6%	14.3%	14.2%	14.3%
Balance sheet growth															
Nominal credit growth (%)			34.3	11.8	23.6	17.1	11.5	10.8	1.2	1.9	2.9	3.6	10.0	10.0	10.0
Real credit growth (%)			26.8	7.2	16.8	10.0	5.4	4.6	-0.9	0.2	2.2	1.7	3.2	3.4	4.3
Nominal deposit growth (%)			67.3	4.0	12.9	12.5	-2.6	2.9	0.3	7.4	5.5	8.5	8.5	10.0	10.0
Real deposit growth (%)			58.0	-0.3	6.7	5.7	-7.9	-2.8	-1.8	5.6	4.8	6.5	1.8	3.5	4.3
Asset quality															
NPL ratio (%)			4.9	6.3	4.7	5.2	5.4	4.6	4.6	4.5	4.4	4.4	4.4	4.3	4.3
Coverage ratio of NPLs (%)			130.7	148.6	163.3	151.8	147.3	156.4	151.1	150.0	150.0	150.0	150.0	150.0	150.0
Coverage ratio of gross loans and leases (%)			6.4	9.4	7.6	7.9	7.9	7.2	7.0	6.7	6.6	6.6	6.6	6.5	6.5
Provisions for loan losses / average gross loans and leases (%)			5.1	6.9	4.5	4.4	5.0	4.3	3.8	3.8	3.8	3.8	3.8	3.7	3.6
Provisions for loan losses / net interest income (%)			28.4	38.6	26.3	26.0	29.7	27.8	26.1	26.2	25.6	25.2	25.7	25.7	25.7
Chargeoffs / average gross loans and leases (%)			3.8	4.7	4.7	3.8	4.7	4.8	4.7	4.4	3.2	3.2	3.8	3.2	3.0
Provisions for loan losses			7,287	11,483	8,703	10,237	13,015	12,045	2,861	2,904	2,977	3,066	11,807	12,752	13,772
Chargeoffs			5,447	7,917	9,061	8,832	12,175	13,430	3,549	3,368	2,531	2,545	11,993	11,039	11,449
Nonperforming loans			7,853	10,978	9,973	12,870	14,455	13,651	13,928	13,725	14,022	14,369	14,369	15,511	17,060
Loan loss reserves			10,263	16,313	16,284	19,540	21,299	21,349	21,051	20,587	21,033	21,553	21,553	23,266	25,590
Gross loans and leases			160,500	172,974	213,532	248,719	267,940	296,629	301,914	307,735	316,523	328,059	328,059	360,717	396,738
Capital															
Average equity / average total assets (%)			8.1	7.9	7.9	7.4	7.7	7.9	7.9	8.0	7.9	7.9	7.8	8.1	8.4
BIS ratio (%)			16.1	17.8	14.7	15.1	16.0	16.6	15.7						
Tier I ratio (%)			12.9	14.8	13.1	12.4	11.3	12.3	11.9						
Tier II ratio (%)			3.2	3.0	1.6	2.7	4.7	4.3	3.8						
Liquidity															
Deposits/ assets (%)			36.2	33.8	30.3	28.6	24.1	24.0	23.7	23.5	23.2	23.0	23.0	23.3	23.0
Deposits/ gross loans and leases (%)			102.5	98.9	90.5	87.4	79.1	73.5	72.4	72.8	72.2	72.1	72.1	72.1	72.1
Purchased funds/ assets (%)			27.6	29.9	36.4	39.0	40.9	41.6	41.3	41.3	41.5	41.6	41.6	41.1	41.1
Purchased funds/ gross loans and leases (%)			78.3	87.6	108.5	119.5	134.3	127.4	126.0	127.7	129.1	130.6	130.6	127.1	128.8
Liquid assets/ assets (%)			50.4	55.9	57.9	58.2	60.2	57.0	56.7	57.3	57.6	57.8	57.8	57.2	57.4
Gross loans and leases / assets (%)			35.3	34.2	33.5	32.7	30.5	32.7	32.7	32.3	32.1	31.9	31.9	32.4	31.9

Source: Citi Research and Company Reports.

Figure 25. Bradesco Earnings Model – Summary Ratios (Continued)

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Summary ratios (continued)													
Profitability and efficiency													
Return on assets, as reported (%)	1.9	1.7	1.8	1.6	1.4	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.6
Return on assets, excluding nonrecurring items (%)	1.9	1.5	1.7	1.6	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.6
Return on equity, as reported (%)	23.6	21.1	22.3	21.3	18.1	17.0	19.1	18.8	18.5	18.8	18.7	18.9	19.0
Return on equity, excluding nonrecurring items (%)	23.6	19.6	21.9	21.6	18.3	17.3	19.3	18.8	18.5	18.8	18.8	18.9	19.0
Net interest margin (%)	6.4	6.1	5.7	5.6	5.3	4.8	4.8	4.7	4.8	4.8	4.7	4.6	4.5
Noninterest expense/ avg total assets, as reported (%)	4.4	4.1	4.2	4.0	3.7	3.6	3.5	3.5	3.5	3.6	3.5	3.4	3.2
Noninterest exp/avg tot assets, excld nonrec. items (%)	4.4	4.1	4.2	4.0	3.7	3.6	3.5	3.5	3.5	3.6	3.5	3.4	3.2
Fee income / personnel expenses (%)	156.5	145.8	143.8	137.7	143.7	151.5	161.1	160.1	159.3	158.6	159.7	168.8	178.3
Fee income / administrative expenses (%)	137.0	122.4	116.0	113.6	123.7	136.3	151.5	147.7	145.6	144.2	147.1	155.5	164.3
Fee income / personnel and administrative expenses (%)	73.1	66.5	64.2	62.2	66.5	71.8	78.1	76.8	76.1	75.5	76.6	80.9	85.5
Efficiency ratio (%)	49.8	48.4	51.0	51.5	50.1	51.0	49.0	49.9	50.4	50.8	50.1	48.7	47.3
Dividend payout ratio (% of current period net income)	35.3	33.9	33.6	33.9	34.2	34.0	35.2	30.0	30.0	25.4	30.1	30.0	30.0
ROE/ROA Dupont decomposition analysis													
ROE, excluding nonrecurring items (%)	23.6	19.6	21.9	21.6	18.3	17.3	19.3	18.8	18.5	18.8	18.8	18.9	19.0
x Average equity / average total assets (%)	8.1	7.9	7.9	7.4	7.7	7.9	7.9	8.1	7.9	7.9	7.8	8.1	8.4
= ROA, excluding nonrecurring items (%)	1.9	1.5	1.7	1.6	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.6
ROA decomposition (all items as % of average total assets):													
- Net interest income (%)	6.4	6.2	5.8	5.6	5.3	4.8	4.8	4.7	4.8	4.8	4.7	4.6	4.5
- Provisions for loan losses (%)	1.8	2.4	1.5	1.5	1.6	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
+Noninterest income (%)	2.4	2.4	2.4	2.2	2.1	2.2	2.3	2.3	2.2	2.2	2.2	2.3	2.3
- Noninterest expense (%)	4.4	4.2	4.2	4.0	3.7	3.6	3.5	3.5	3.5	3.6	3.5	3.4	3.2
- Income tax, social contribution, minority interest (%)	0.7	0.5	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
= ROA, excluding nonrecurring items (%)	1.9	1.5	1.7	1.6	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.6

Source: Citi Research and Company Reports.

Figure 26. Bradesco Earnings Model – Income Statement

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Income statement													
Net interest income	25,649	29,731	33,059	39,320	43,794	43,286	10,962	11,099	11,615	12,190	45,865	49,535	53,488
Provisions for loan losses	7,287	11,483	8,703	10,237	13,015	12,045	2,861	2,904	2,977	3,066	11,807	12,752	13,772
Net interest income after provisions	18,362	18,248	24,356	29,083	30,779	31,241	8,101	8,195	8,638	9,124	34,058	36,783	39,716
Fee income	11,215	11,616	13,374	15,223	17,513	19,786	5,283	5,407	5,597	5,877	22,164	24,823	27,802
Net results from insurance operations	2,256	1,982	2,771	3,370	3,813	4,471	1,244	1,250	1,261	1,274	5,030	5,633	6,309
Equity in earnings of associated companies	135	140	127	144	148	43	52	20	22	25	119	135	150
Other operating income / (loss)	(4,019)	(2,264)	(2,414)	(3,402)	(4,213)	(4,743)	(1,391)	(1,319)	(1,489)	(1,530)	(5,729)	(6,336)	(6,843)
Total noninterest income	9,587	11,474	13,859	15,335	17,262	19,557	5,188	5,358	5,391	5,646	21,583	24,256	27,418
Personnel expenses	7,166	7,966	9,302	11,058	12,186	13,061	3,279	3,377	3,512	3,706	13,874	14,707	15,589
Administrative expenses	8,184	9,493	11,533	13,406	14,161	14,512	3,486	3,660	3,843	4,074	15,064	15,967	16,925
Total operating expenses	15,351	17,459	20,836	24,463	26,348	27,573	6,765	7,038	7,356	7,780	28,938	30,674	32,515
Taxes other than income tax	2,207	2,582	3,089	3,666	4,139	4,381	1,114	1,139	1,188	1,247	4,687	5,131	5,609
Non operating expense / (income)	3	(108)	9	(1)	89	120	36	34	34	35	139	155	170
Total noninterest expense	17,561	19,932	23,935	28,128	30,576	32,074	7,915	8,210	8,578	9,062	33,764	35,960	38,294
Earnings before tax	10,389	9,790	14,280	16,290	17,465	18,724	5,374	5,343	5,452	5,708	21,877	25,079	28,841
Income tax and social contribution	2,729	2,375	4,354	4,953	5,874	6,425	1,871	1,817	1,854	1,941	7,482	8,527	9,806
Earnings before minority interest and nonrecurring items	7,660	7,415	9,926	11,338	11,591	12,299	3,503	3,526	3,598	3,767	14,395	16,552	19,035
Minority interest	34	25	122	139	68	97	30	28	29	30	117	132	152
Nonrecurring income / (expense) *	(6)	622	218	(170)	(142)	(191)	(30)	-	-	-	(30)	-	-
Net income	7,620	8,012	10,022	11,028	11,381	12,011	3,443	3,498	3,569	3,737	14,248	16,420	18,882

* In 2006, accelerated amortization of goodwill (from previous acquisitions) that still remained on the bank's books and extraordinary non-technical health insurance provisions, partially offset by one-time gains from the sale of Bradesco's investment in Usiminas plus tax credits from prior periods. In 2Q07, as one-time gains from the sale of investments in Arcelor and Serasa, partially offset by the accelerated amortization of goodwill (from previous acquisitions) that still remained on the bank's books, the creation of provisions for civil contingencies, and the activation of fiscal credits from previous periods. In 3Q07, accelerated amortization of goodwill generated in the acquisition of Banco BMC, as well as civil provisions for economic plans, partially offset by the partial sale of Bovespa securities, activation of fiscal credits from prior periods, as well as recovery of tax credits (PIS). In 4Q07, activation of fiscal credits from prior periods, the partial sale of BM&F and Bovespa as part of their IPOs, the total sale of Indiana Seguros, partially offset by the creation of supplementary labor and civil provisions and the accelerated amortization of goodwill (from previous acquisitions) that still remained on the bank's books. In 1Q08, partial sale of VISA as part of their IPO. In 4Q08, a significant increase in the bank's excess loan loss reserves as well as the creation of provisions for civil contingencies, partially offset by the positive mark to market of the bank's Visa shares. In 2Q09, gain from the partial sale of VisaNet as part of their IPO as well as gain from the reversal of previously amortized investments, partially offset by the creation of excess loan loss reserves as well as additional provisions for civil contingencies arising from old economic stabilization plans. In 4Q09, one-time gain from a favorable tax settlement with the government as well as gains from the partial sale of its stake in Cetip and the IPO of Laboratório Fleury, partially offset by additional legal provisions and allowances for investment losses. In 1Q10, net effect of one-time tax credits and tax contingencies, as well as additional provisions for civil contingencies arising from old economic stabilization plans. In 2Q10, additional provisions for civil contingencies arising from old economic stabilization plans. In 3Q10, gains from the partial sale of its stake in CPM Braxis, partially offset by additional provisions for civil contingencies arising from old economic stabilization plans.



Source: Citi Research and Company Reports.

Figure 27. Bradesco Earnings Model – Balance Sheet

	2008	2009	2010	2011	2012	2013E	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Balance sheet													
ASSETS													
Cash and due from banks	9,352	7,186	16,302	23,651	13,219	13,078	12,659	14,911	15,372	14,809	14,809	15,527	16,333
Interbank deposits	87,939	129,280	138,994	154,132	200,433	191,570	188,205	195,733	204,541	214,768	214,768	230,876	258,581
Marketable securities	131,598	146,619	213,518	265,724	315,487	313,328	321,970	334,849	347,573	365,647	365,647	391,243	438,192
Cash, due from banks, and marketable securities	228,888	283,085	368,814	443,506	529,139	517,976	522,834	545,494	567,486	595,224	595,224	637,646	713,105
Short term loans	83,328	88,638	106,608	123,898	137,242	148,683	146,998	149,832	154,111	159,728	159,728	175,629	193,167
Long term loans	56,635	62,868	90,558	113,269	122,663	142,233	149,646	152,532	156,887	162,605	162,605	178,792	196,647
Short term leases	7,225	8,765	7,768	6,124	4,444	3,001	2,734	2,787	2,866	2,971	2,971	3,267	3,593
Long term leases	13,313	12,703	8,598	5,427	3,592	2,712	2,537	2,586	2,659	2,756	2,756	3,031	3,333
Gross loans and leases	160,500	172,974	213,532	248,719	267,940	296,629	301,914	307,735	316,523	328,059	328,059	360,717	396,738
Loan loss reserves	10,263	16,313	16,284	19,540	21,299	21,349	21,051	20,587	21,033	21,553	21,553	23,266	25,590
Net loans and leases	150,238	156,661	197,247	229,178	246,642	275,280	280,863	287,148	295,490	306,506	306,506	337,451	371,149
Other receivables from financial transactions	65,877	54,365	58,013	70,511	84,490	94,459	98,123	99,104	101,086	105,129	105,129	115,642	132,989
Other assets	1,799	1,917	1,708	2,895	4,008	4,781	4,941	5,015	5,266	5,529	5,529	5,806	6,270
Investment in assoc companies/other investments	593	738	1,153	1,377	1,363	1,412	1,457	1,477	1,499	1,524	1,524	1,659	1,809
Other permanent assets	7,018	9,457	10,549	14,065	13,450	14,231	14,011	14,222	14,933	15,679	15,679	16,463	17,780
Total assets	454,413	506,223	637,485	761,533	879,092	908,139	922,229	952,459	985,760	1,029,591	1,029,591	1,114,666	1,243,102
LIABILITIES													
Demand deposits	27,610	34,627	36,225	33,121	38,412	40,618	38,569	40,112	41,115	42,554	42,554	46,809	51,490
Savings deposits	37,769	44,162	53,436	59,656	69,042	80,718	82,098	83,740	85,415	88,832	88,832	97,715	107,486
Core deposits	65,379	78,789	89,660	92,777	107,453	121,336	120,668	123,852	126,530	131,386	131,386	144,524	158,977
Time deposits	97,414	90,496	102,158	124,127	104,022	95,763	97,387	99,335	101,321	104,361	104,361	114,797	126,277
Interbank deposits	1,701	1,788	1,383	520	382	964	655	753	776	799	799	879	967
Total deposits	164,493	171,073	193,201	217,424	211,858	218,063	218,709	223,940	228,627	236,546	236,546	260,200	286,220
Funds obtained in the open market	81,772	113,709	172,099	197,984	258,786	257,544	254,088	262,472	272,971	286,074	286,074	306,099	341,301
Notes and debentures	9,012	7,483	17,674	41,522	51,359	57,654	64,511	66,639	69,305	72,632	72,632	77,716	86,653
Interbank accounts	13	23	40	682	1,306	1,695	1,690	1,746	1,816	1,903	1,903	2,036	2,270
Interdepartmental accounts	2,901	2,927	3,750	3,932	4,361	5,169	3,653	3,774	3,925	4,113	4,113	4,401	4,907
Borrowings	14,205	8,005	7,990	17,257	8,111	15,231	15,667	16,184	16,831	17,639	17,639	18,874	21,045
Borrowings from development agencies	17,742	19,322	30,201	35,905	36,007	40,681	40,883	42,232	43,922	46,030	46,030	49,252	54,916
Purchased funds	125,644	151,469	231,753	297,283	359,930	377,973	380,492	393,048	408,770	428,391	428,391	458,378	511,092
Other liabilities	129,698	141,130	164,017	190,629	236,669	240,558	249,152	259,118	269,483	282,957	282,957	302,764	339,096
Minority interest	321	798	472	615	588	605	549	577	606	636	636	769	921
Total liabilities	420,156	464,469	589,442	705,951	809,045	837,199	848,903	876,684	907,486	948,530	948,530	1,022,111	1,137,329
EQUITY													
Total shareholders' equity	34,257	41,754	48,043	55,582	70,047	70,940	73,326	75,775	78,273	81,061	81,061	92,555	105,773
Total liabilities and equity	454,413	506,223	637,485	761,533	879,092	908,139	922,229	952,459	985,760	1,029,591	1,029,591	1,114,666	1,243,102

Source: Citi Research and Company Reports.

Figure 28. Bradesco Earnings Model – Assumptions & Drivers

			2008	2009	2010	2011	2012	2013E	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers															
Macro economic assumptions															
Real GDP growth			5.1%	-0.2%	7.5%	2.9%	0.9%	2.3%					1.3%	1.8%	2.5%
Inflation (IPCA) coefficient			1.059	1.043	1.059	1.065	1.058	1.059	1.022	1.017	1.007	1.019	1.066	1.063	1.055
SELIC rate, eop			13.75%	8.75%	10.75%	11.00%	7.25%	10.00%	10.75%	11.00%	11.00%	11.00%	11.00%	12.50%	11.50%
average			12.45%	10.35%	9.85%	11.55%	8.80%	8.30%	10.38%	10.88%	11.00%	11.00%	10.75%	11.75%	12.00%
Exchange rate, eop (R\$ per US\$1.00)			2.337	1.741	1.670	1.867	2.040	2.340	2.430	2.260	2.300	2.450	2.450	2.600	2.650
average (R\$ per US\$1.00)			1.898	1.948	1.736	1.728	1.957	2.173	2.385	2.345	2.280	2.375	2.372	2.525	2.625
Key earnings drivers															
Credit Portfolio															
Nominal credit growth:															
Corporate			46.7%	12.5%	23.4%	17.5%	22.9%	12.6%	1.7%	1.5%	2.4%	3.3%	9.2%	8.0%	8.0%
SME			31.7%	11.1%	29.2%	23.9%	0.8%	7.3%	0.1%	2.2%	3.2%	3.2%	8.9%	12.5%	12.5%
Individuals			24.5%	11.5%	19.5%	10.8%	7.9%	11.4%	1.5%	2.3%	3.2%	4.5%	12.0%	10.5%	10.5%
Nominal credit growth			34.3%	11.8%	23.6%	17.1%	11.5%	10.8%	1.2%	1.9%	2.9%	3.6%	10.0%	10.0%	10.0%
Nominal gross loan and leases growth			29.5%	7.8%	23.4%	16.5%	7.7%	10.7%	1.8%	1.9%	2.9%	3.6%	10.6%	10.0%	10.0%
Real credit growth			26.8%	7.2%	16.8%	10.0%	5.4%	4.6%	-0.9%	0.2%	2.2%	1.7%	3.2%	3.4%	4.3%
Balances															
Corporate			81,400	91,600	113,000	132,800	163,200	183,800	186,900	189,704	194,256	200,667	200,667	216,720	234,058
SME			58,600	65,100	84,100	104,200	105,000	112,700	112,800	115,282	118,971	122,778	122,778	138,125	155,390
Individuals			73,600	82,100	98,100	108,700	117,300	130,700	132,700	135,752	140,096	146,400	146,400	161,773	178,759
Credit portfolio			213,600	238,800	295,200	345,700	385,500	427,200	432,400	440,737	453,323	469,845	469,845	516,618	568,207
Gross loans and leases			160,500	172,974	213,532	248,719	267,940	296,629	301,914	307,735	316,523	328,059	328,059	360,717	396,738
Difference			53,100	65,826	81,668	96,981	117,560	130,571	130,486	133,002	136,800	141,786	141,786	155,900	171,469
Loan mix															
Corporate			38.1%	38.4%	38.3%	38.4%	42.3%	43.0%	43.2%	43.0%	42.9%	42.9%	42.7%	41.1%	41.2%
SME			27.4%	27.3%	28.5%	30.1%	27.2%	26.4%	26.1%	26.2%	26.2%	26.1%	26.1%	26.7%	27.3%
Individuals			34.5%	34.4%	33.2%	31.4%	30.4%	30.6%	30.7%	30.8%	30.9%	31.2%	31.2%	31.3%	31.5%
Credit portfolio			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Absolute change															
Corporate			25,900	10,200	21,400	19,800	30,400	20,600	3,100	2,803	4,553	6,410	16,867	16,053	17,338
SME			14,100	6,500	19,000	20,100	800	7,700	100	2,482	3,689	3,807	10,078	15,347	17,266
Individuals			14,500	8,500	16,000	10,600	8,600	13,400	2,000	3,052	4,344	6,304	15,700	15,372	16,986
Credit portfolio			54,500	25,200	56,400	50,500	39,800	41,700	5,200	8,337	12,586	16,522	42,645	46,773	51,589
Gross loans and leases			36,527	12,474	40,558	35,187	19,222	28,689	5,285	5,821	8,788	11,536	31,430	32,658	36,021

Source: Citi Research and Company Reports.

Figure 29. Bradesco Earnings Model – Assumptions & Drivers (Continued)

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)													
Deposits													
Nominal deposit growth:													
Demand deposits	-3.1%	25.4%	4.6%	-8.6%	16.0%	5.7%	-5.0%	4.0%	2.5%	3.5%	4.8%	10.0%	10.0%
Savings deposits	15.1%	16.9%	21.0%	11.6%	15.7%	16.9%	1.7%	2.0%	2.0%	4.0%	10.1%	10.0%	10.0%
Core deposits	6.6%	20.5%	13.8%	3.5%	15.8%	12.9%	-0.6%	13.4%	9.1%	8.3%	8.3%	10.0%	10.0%
Time deposits	172.7%	-7.1%	12.9%	21.5%	-16.2%	-7.9%	1.7%	2.0%	2.0%	3.0%	9.0%	10.0%	10.0%
Interbank deposits	31.1%	5.1%	-22.7%	-62.4%	-26.4%	152.0%	-32.1%	15.0%	3.0%	3.0%	-17.1%	10.0%	10.0%
Nominal deposit growth	67.3%	4.0%	12.9%	12.5%	-2.6%	2.9%	0.3%	7.4%	5.5%	8.5%	8.5%	10.0%	10.0%
<i>Real deposit growth</i>	<i>58.0%</i>	<i>-0.3%</i>	<i>6.7%</i>	<i>5.7%</i>	<i>-7.9%</i>	<i>-2.8%</i>	<i>-1.8%</i>	<i>5.6%</i>	<i>4.8%</i>	<i>6.5%</i>	<i>1.8%</i>	<i>3.5%</i>	<i>4.3%</i>
Deposit mix													
Demand deposits	16.8%	20.2%	18.7%	15.2%	18.1%	18.6%	17.6%	17.9%	18.0%	18.0%	18.0%	18.0%	18.0%
Savings deposits	23.0%	25.8%	27.2%	27.4%	32.6%	37.0%	37.5%	37.4%	37.4%	37.6%	37.6%	37.6%	37.6%
Core deposits	39.7%	46.1%	46.4%	42.7%	50.7%	55.6%	55.2%	55.3%	55.3%	55.5%	55.5%	55.5%	55.5%
Time deposits	59.2%	52.9%	52.9%	57.1%	49.1%	43.9%	44.5%	44.4%	44.3%	44.1%	44.1%	44.1%	44.1%
Interbank deposits	1.0%	1.0%	0.7%	0.2%	0.2%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Total deposits	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net interest income	25,649	29,731	33,059	39,320	43,794	43,286	10,962	11,099	11,615	12,190	45,865	49,535	53,488
Average interest earning assets growth (%)	398,603	484,703	577,204	703,849	825,604	899,712	915,968	942,580	973,855	1,012,152	973,894	1,076,876	1,184,457
Average yield on assets	31.0%	21.6%	19.1%	21.9%	17.3%	9.0%	3.3%	2.9%	3.3%	3.9%	8.2%	10.6%	10.0%
Average interest bearing liabilities growth (%)	15.0%	12.2%	11.8%	12.8%	11.2%	10.3%	10.4%	11.0%	11.1%	11.1%	10.7%	10.9%	10.6%
Average cost of liabilities	247,604	306,340	373,748	469,830	543,247	583,912	597,619	608,095	627,193	651,167	630,486	691,758	757,945
Implied spread	36.6%	23.7%	22.0%	25.7%	15.6%	7.5%	2.3%	1.8%	3.1%	3.8%	8.0%	9.7%	9.6%
Net interest margin	13.7%	9.7%	9.3%	10.8%	9.0%	8.5%	8.6%	9.8%	9.8%	9.8%	9.3%	9.8%	9.5%
Interest income	1.2%	2.6%	2.4%	2.0%	2.2%	1.8%	1.8%	1.3%	1.3%	1.3%	1.4%	1.1%	1.1%
Interest expense	6.4%	6.1%	5.7%	5.6%	5.3%	4.8%	4.8%	4.7%	4.8%	4.8%	4.7%	4.6%	4.5%
Net interest income	59,604	59,319	67,826	90,091	92,769	93,062	23,791	25,921	26,903	28,062	104,676	116,981	125,493
Net interest income	33,955	29,588	34,767	50,770	48,974	49,776	12,822	14,822	15,288	15,872	58,811	67,446	72,005
Net interest income	25,649	29,731	33,059	39,320	43,794	43,286	10,962	11,099	11,615	12,190	45,865	49,535	53,488
Fee income	11,215	11,616	13,372	15,223	17,513	19,787	5,283	5,407	5,597	5,877	22,164	24,823	27,802
Checking account	2,265	2,058	2,361	2,786	3,245	3,608	944	963	997	1,046	3,950	4,424	4,955
Asset management	1,570	1,602	1,807	1,949	2,173	2,323	562	573	593	623	2,352	2,634	2,950
Collections	973	996	1,081	1,214	1,313	1,471	380	388	401	421	1,590	1,781	1,994
Credit cards	3,034	3,423	4,104	4,864	5,952	6,974	1,888	1,935	2,003	2,103	7,929	8,881	9,946
Credit operations	1,584	1,523	1,785	2,011	2,083	2,243	573	584	605	635	2,398	2,685	3,007
Interbank fees	337	351	433	527	614	722	199	205	212	223	839	940	1,052
Collection of taxes	239	256	287	312	319	340	96	99	102	107	405	453	508
Other	1,213	1,406	1,514	1,560	1,815	2,105	641	660	683	718	2,702	3,026	3,389
Fee income growth	3.8%	3.6%	15.1%	13.8%	15.0%	13.0%	1.1%	2.4%	3.5%	5.0%	12.0%	12.0%	12.0%
Checking account	-3.9%	-9.1%	14.7%	18.0%	16.4%	11.2%	-0.9%	2.0%	3.5%	5.0%	9.5%	12.0%	12.0%
Asset management	9.1%	2.0%	12.8%	7.8%	11.5%	6.9%	-4.6%	2.0%	3.5%	5.0%	1.2%	12.0%	12.0%
Collections	13.3%	2.4%	8.5%	12.2%	8.2%	12.0%	0.0%	2.0%	3.5%	5.0%	8.1%	12.0%	12.0%
Credit cards	23.9%	12.8%	19.9%	18.5%	22.4%	17.2%	-0.6%	2.5%	3.5%	5.0%	13.7%	12.0%	12.0%
Credit operations	-18.1%	-3.9%	17.2%	12.7%	3.6%	7.7%	-4.2%	2.0%	3.5%	5.0%	6.9%	12.0%	12.0%
Interbank fees	4.8%	4.2%	23.4%	21.5%	16.5%	17.7%	1.5%	3.0%	3.5%	5.0%	16.2%	12.0%	12.0%
Collection of taxes	-6.2%	7.1%	12.0%	8.8%	2.2%	6.7%	10.3%	3.0%	3.5%	5.0%	19.0%	12.0%	12.0%
Other	1.7%	16.0%	7.7%	3.0%	16.3%	16.0%	22.3%	3.0%	3.5%	5.0%	28.4%	12.0%	12.0%
Absolute change	409	401	1,756	1,851	2,289	2,274	56	124	189	280	2,377	2,660	2,979
Checking account	-92	-207	302	426	458	363	-9	19	34	50	342	474	531
Asset management	131	32	205	141	224	151	-27	11	20	30	28	282	316
Collections	114	23	85	132	99	158	0	8	14	20	119	191	214
Credit cards	585	389	681	761	1,088	1,023	-12	47	68	100	955	952	1,066
Credit operations	-350	-61	262	226	72	160	-25	11	20	30	155	288	322
Interbank fees	16	14	82	93	87	108	3	6	7	11	117	101	113
Collection of taxes	-16	17	31	25	7	21	9	3	3	5	65	49	54
Other	21	193	108	46	254	290	117	19	23	34	598	324	363

Source: Citi Research and Company Reports.

Figure 30. Bradesco Earnings Model – Assumptions & Drivers (Continued)

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)													
Provisions for loan losses	7,287	11,483	8,703	10,237	13,015	12,045	2,861	2,904	2,977	3,066	11,807	12,752	13,772
Loan loss reserves	10,263	16,313	16,284	19,540	21,299	21,349	21,051	20,587	21,033	21,553	21,553	23,266	25,590
Growth in loan loss provisions	32.5%	57.6%	(24.2%)	17.6%	27.1%	(7.5%)	(3.4%)	1.5%	2.5%	3.0%	(2.0%)	8.0%	8.0%
NPL ratio	4.9%	6.3%	4.7%	5.2%	5.4%	4.6%	4.6%	4.5%	4.4%	4.4%	4.4%	4.3%	4.3%
Coverage ratio of NPLs	130.7%	148.6%	163.3%	151.8%	147.3%	156.4%	151.1%	150.0%	150.0%	150.0%	150.0%	150.0%	150.0%
Flow of nonperforming loans	139.0%	140.6%	73.4%	117.6%	106.9%	87.3%	28.0%	22.7%	20.6%	20.6%	93.1%	84.8%	83.8%
Nonperforming loans	7,853	10,978	9,973	12,870	14,455	13,651	13,928	13,725	14,022	14,369	14,369	15,511	17,060
Nonperforming loans, pre-chargeoffs	13,300	18,895	19,034	21,702	26,630	27,081	17,477	17,093	16,553	16,914	26,362	26,550	28,508
Chargeoffs	5,447	7,917	9,061	8,832	12,175	13,430	3,549	3,368	2,531	2,545	11,993	11,039	11,449
Provisions for loan losses / average gross loans and leases (%)	5.1	6.9	4.5	4.4	5.0	4.3	3.8	3.8	3.8	3.8	3.8	3.7	3.6
Chargeoffs / average gross loans and leases (%)	3.8	4.7	4.7	3.8	4.7	4.8	4.7	4.4	3.2	3.2	3.8	3.2	3.0
Other income statement drivers													
Insurance operations													
Net Insurance operations growth			2,771.4	3,369.6	3,813.5	4,471.0	1,244.0	1,250.2	1,261.5	1,274.1	5,029.8	5,633.4	6,309.4
				21.6%	13.2%	17.2%	4.7%	0.5%	0.9%	1.0%	12.5%	12.0%	12.0%
Operating expenses													
Personnel expense growth	9.1%	11.2%	16.8%	18.9%	10.2%	7.2%	-5.4%	3.0%	4.0%	5.5%	6.2%	6.0%	6.0%
Administrative expense growth	18.4%	16.0%	21.5%	16.2%	5.6%	2.5%	-9.4%	5.0%	5.0%	6.0%	3.8%	6.0%	6.0%
Total operating expense growth	13.9%	13.7%	19.3%	17.4%	7.7%	4.6%	-7.5%	4.0%	4.5%	5.8%	5.0%	6.0%	6.0%
COFIN, PIS and other taxes effective rate	6.0%	6.2%	6.7%	6.7%	6.8%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Other operating income / (loss) as % of gross loans and leases	-2.8%	-1.4%	-1.2%	-1.5%	-1.6%	-1.7%	-1.9%	-1.7%	-1.9%	-1.9%	-1.8%	-1.8%	-1.8%
Non operating expense / (income) as % of gross loans and leases	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minority interest (% of EBT)	0.4%	0.3%	1.2%	1.2%	0.6%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Income tax and social contribution													
Effective tax rate	26.3%	24.3%	30.5%	30.4%	33.6%	34.3%	34.8%	34.0%	34.0%	34.0%	34.2%	34.0%	34.0%
Other balance sheet drivers													
Other assets													
Interbank deposit growth	42.6%	47.0%	7.5%	10.9%	30.0%	-4.4%	-1.8%	4.0%	4.5%	5.0%	12.1%	7.5%	12.0%
Marketable securities growth	15.0%	11.4%	45.6%	24.5%	18.7%	-0.7%	2.8%	4.0%	3.8%	5.2%	16.7%	7.0%	12.0%
Other receivables from financial transactions growth	83.3%	-17.5%	6.7%	21.5%	19.8%	11.8%	3.9%	1.0%	2.0%	4.0%	11.3%	10.0%	15.0%
Other assets and other permanent assets growth	33.5%	34.7%	11.5%	33.3%	-4.4%	5.8%	-0.3%	1.5%	5.0%	5.0%	10.2%	5.0%	8.0%
Other liabilities													
Purchased funds growth	17.7%	20.6%	53.0%	28.3%	21.1%	5.0%	0.7%	3.3%	4.0%	4.8%	13.3%	7.0%	11.5%
Other liabilities growth	22.8%	8.8%	16.2%	16.2%	24.2%	1.6%	3.6%	4.0%	4.0%	5.0%	17.6%	7.0%	12.0%
Dividends													
Dividend payout ratio (of current period net income)	2,693	2,718	3,369	3,740	3,895	4,078	1,212	1,049	1,071	949	4,282	4,926	5,665
	35.3%	33.9%	33.6%	33.9%	34.2%	34.0%	35.2%	30.0%	30.0%	25.4%	30.1%	30.0%	30.0%
Shares outstanding (million)													
ON	2,042.8	2,069.3	2,068.9	2,100.9	2,100.7	2,100.7	2,100.7	2,100.7	2,100.7	2,100.7	2,100.7	2,100.7	2,100.7
PN	2,043.0	2,069.5	2,069.3	2,098.7	2,098.4	2,095.8	2,094.7	2,094.7	2,094.7	2,094.7	2,094.7	2,094.7	2,094.7
Total shares outstanding	4,085.8	4,138.9	4,138.3	4,199.6	4,199.1	4,196.5	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4	4,195.4
Average shares outstanding	4,085.9	4,091.4	4,138.7	4,186.1	4,199.4	4,198.2	4,195.9	4,195.4	4,195.4	4,195.4	4,195.5	4,195.4	4,195.4


Source: Citi Research and Company Reports.

Figure 31. Banco do Brasil Earnings Model – Summary Ratios

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Summary ratios													
Net income	8,802	9,981	11,704	12,125	12,205	15,758	2,678	2,485	2,588	2,843	10,594	11,906	13,692
Net income growth	74.0%	13.4%	17.3%	3.6%	0.7%	29.1%	-83.0%	-7.2%	4.2%	9.9%	-32.8%	12.4%	15.0%
Average shares outstanding (million)	2,540.2	2,568.1	2,715.3	2,863.1	2,855.3	2,832.0	2,806.2	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7
EPS (R\$)	3.47	3.89	4.31	4.24	4.27	5.56	0.95	0.89	0.92	1.01	3.78	4.25	4.88
EPS growth	69.6%	12.2%	10.9%	-1.7%	0.9%	30.2%	-82.9%	-7.1%	4.2%	9.9%	-32.1%	12.4%	15.0%
Net income, excluding nonrecurring items	9,414	8,466	10,665	11,751	11,528	10,353	2,436	2,485	2,588	2,843	10,353	11,906	13,692
Net income growth, excluding nonrecurring items	65.2%	-10.1%	26.0%	10.2%	-1.9%	-10.2%	0.5%	2.0%	4.2%	9.9%	0.0%	15.0%	15.0%
Average shares outstanding (million)	2,540.2	2,568.1	2,715.3	2,863.1	2,855.3	2,832.0	2,806.2	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7
EPS, excluding nonrecurring items (R\$)	3.71	3.30	3.93	4.10	4.04	3.66	0.87	0.89	0.92	1.01	3.69	4.25	4.88
EPS growth, excluding nonrecurring items	61.0%	-11.0%	19.1%	4.5%	-1.6%	-9.5%	-76.2%	2.1%	4.2%	9.9%	1.0%	15.0%	15.0%
Book value	29,937	36,119	50,441	57,972	65,496	69,526	71,034	72,525	74,078	75,826	75,826	82,970	91,185
Book value growth	23.4%	20.6%	39.7%	14.9%	13.0%	6.2%	2.2%	2.1%	2.1%	2.4%	9.1%	9.4%	9.9%
Shares outstanding (million)	2,568.2	2,569.9	2,860.7	2,865.4	2,845.2	2,808.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7
Book value per share	11.66	14.05	17.63	20.23	23.02	24.75	25.34	25.87	26.42	27.04	27.04	29.59	32.52
Book value per share growth	19.0%	20.6%	25.5%	14.7%	13.8%	7.5%	2.4%	2.1%	2.1%	2.4%	9.3%	9.4%	9.9%
Balance sheet growth													
Nominal credit growth (%)	39.9	33.8	19.1	18.0	24.3	18.6	1.3	4.5	5.1	5.5	17.5	15.0	15.0
Real credit growth (%)	32.1	28.3	12.5	10.8	17.9	12.0	-0.9	2.8	4.4	3.6	10.2	8.2	9.0
Nominal deposit growth (%)	43.8	24.6	11.6	17.4	6.7	4.0	-1.8	4.3	4.4	5.2	12.5	12.5	12.6
Real deposit growth (%)	35.8	19.5	5.4	10.2	1.2	-1.8	-3.9	2.5	3.7	3.3	5.5	5.8	6.7
Asset quality													
NPL ratio (%)	3.0	3.9	2.8	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.7	2.8
Coverage ratio of NPLs (%)	220.7	166.3	182.2	180.4	169.8	155.6	154.8	155.0	155.0	155.0	155.0	155.0	155.0
Coverage ratio of gross loans and leases (%)	6.7	6.5	5.1	4.7	4.3	3.9	3.9	3.9	4.0	4.0	4.0	4.2	4.3
Provisions for loan losses / average gross loans and leases (%)	4.2	4.7	3.4	3.2	3.3	2.9	2.8	2.9	3.0	3.0	2.9	2.9	3.0
Provisions for loan losses / net interest income (%)	31.2	35.2	27.3	28.7	31.6	33.6	35.4	37.1	38.2	38.0	37.2	38.7	40.6
Chargeoffs / average gross loans and leases (%)	2.8	3.7	3.7	2.8	2.6	2.5	2.5	2.3	1.6	2.1	2.1	2.2	2.2
Provisions for loan losses	7,519	11,630	10,675	11,827	14,651	15,600	4,187	4,438	4,766	5,019	18,410	21,632	25,417
Chargeoffs	5,051	9,179	11,637	10,184	11,786	13,539	3,698	3,551	2,522	3,569	13,340	16,238	19,040
Nonperforming loans	6,267	11,192	9,505	10,541	12,490	14,601	14,946	15,494	16,943	17,878	17,878	21,357	25,472
Loan loss reserves	13,829	18,617	17,315	19,015	21,210	22,719	23,129	24,016	26,261	27,711	27,711	33,104	39,481
Gross loans and leases	207,099	284,400	338,208	400,331	492,245	584,258	592,863	619,773	651,637	687,607	687,607	791,017	909,703
Capital													
Average equity / average total assets (%)	6.2	5.4	5.7	6.0	5.8	5.5	5.3	5.2	5.2	5.1	5.2	4.9	4.6
BIS ratio (%)	13.5	13.7	14.1	14.0	14.8	14.5	13.8						
Tier I ratio (%)	9.6	9.7	11.0	10.5	10.6	10.5	9.9						
Tier II ratio (%)	3.9	4.0	3.1	3.5	4.2	4.0	3.9						
Liquidity													
Deposits/ assets (%)	52.0	47.6	46.5	45.1	41.0	37.7	35.2	36.3	36.5	37.0	37.0	35.4	35.1
Deposits/ gross loans and leases (%)	130.8	118.7	111.4	110.5	95.9	84.0	81.3	81.1	80.6	80.3	80.3	78.5	76.9
Purchased funds/ assets (%)	27.4	30.2	27.6	30.4	33.3	36.5	39.8	38.3	38.3	38.1	38.1	39.7	40.2
Purchased funds/ gross loans and leases (%)	69.0	75.3	66.3	74.5	77.8	81.4	92.0	85.8	84.4	82.6	82.6	88.1	88.1
Liquid assets/ assets (%)	44.8	46.2	43.3	45.0	43.4	41.4	43.6	42.2	42.0	41.6	41.6	42.7	42.7
Gross loans and leases/ assets (%)	39.7	40.1	41.7	40.8	42.8	44.8	43.3	44.7	45.3	46.0	46.0	45.0	45.7

Source: Citi Research and Company Reports.

Figure 32. Banco do Brasil Earnings Model – Summary Ratios (Continued)

 BANCO DO BRASIL	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Summary ratios (continued)													
Profitability and efficiency													
Return on assets, as reported (%)	2.0	1.6	1.5	1.4	1.1	1.3	0.8	0.7	0.7	0.8	0.8	0.7	0.7
Return on assets, excluding nonrecurring items (%)	2.1	1.4	1.4	1.3	1.1	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7
Return on equity, as reported (%)	32.5	30.2	27.0	22.4	19.8	23.3	15.2	13.8	14.1	15.2	14.6	15.0	15.7
Return on equity, excluding nonrecurring items (%)	34.3	26.2	24.9	21.8	18.8	16.0	13.9	13.8	14.1	15.2	14.3	15.0	15.7
Net interest margin (%)	5.4	5.3	5.1	4.6	4.3	3.8	3.5	3.4	3.5	3.6	3.5	3.4	3.3
Noninterest expense/ average total assets (%)	3.8	3.6	3.5	3.2	3.1	2.9	2.7	2.7	2.7	2.7	2.7	2.5	2.3
Fee income / personnel expenses (%)	133.3	131.4	129.6	130.8	133.6	136.1	127.8	133.4	138.5	145.9	136.6	143.0	151.1
Fee income / administrative expenses (%)	155.1	151.7	153.7	168.8	169.7	177.9	176.5	181.1	186.2	194.2	184.8	193.4	204.3
Fee income / personnel and administrative expenses (%)	71.7	70.4	70.3	73.7	74.7	77.1	74.1	76.8	79.4	83.3	78.5	82.2	86.9
Efficiency ratio, as reported (%)	43.7	47.1	48.2	48.5	50.1	52.0	51.7	51.5	51.0	50.0	51.0	49.1	47.0
Effective tax rate (%)	33.7	37.5	39.2	37.6	34.7	33.0	34.8	34.0	34.0	34.0	34.2	34.4	34.4
Dividend payout ratio (% of current period net income)	40.0	40.7	40.2	40.4	40.4	39.9	41.5	40.0	40.0	38.5	40.0	40.0	40.0
ROE/ROA Dupont decomposition analysis													
ROE, excluding nonrecurring items (%)	34.3	26.2	24.9	21.8	18.8	16.0	13.9	13.8	14.1	15.2	14.3	15.0	15.7
x Average equity / average total assets (%)	6.2	5.4	5.7	6.0	5.8	5.5	5.3	5.2	5.2	5.1	5.2	4.9	4.6
= ROA, excluding nonrecurring items (%)	2.1	1.4	1.4	1.3	1.1	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7
ROA decomposition (all items as % of average total assets):													
Net interest income (%)	5.5	5.4	5.2	4.6	4.4	3.8	3.5	3.5	3.5	3.6	3.5	3.4	3.3
- Provisions for loan losses (%)	1.7	1.9	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.4
+ Noninterest income (%)	3.3	2.4	2.0	2.1	1.8	1.7	1.7	1.7	1.8	1.8	1.7	1.6	1.6
- Noninterest expense (%)	3.8	3.7	3.5	3.2	3.1	2.9	2.7	2.7	2.7	2.7	2.7	2.5	2.3
- Income tax, social contribution, profit sharing (%)	1.1	0.8	0.9	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
= ROA, excluding nonrecurring items (%)	2.1	1.4	1.4	1.3	1.1	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7

Source: Citi Research and Company Reports.

Figure 33. Banco do Brasil Earnings Model – Income Statement

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Income statement													
Net interest income	24,106	33,062	39,171	41,270	46,407	46,427	11,830	11,974	12,463	13,191	49,458	55,906	62,631
Provisions for loan losses	7,519	11,630	10,675	11,827	14,651	15,600	4,187	4,438	4,766	5,019	18,410	21,632	25,417
Net interest income after provisions	16,587	21,432	28,497	29,443	31,756	30,827	7,644	7,536	7,696	8,172	31,048	34,274	37,214
Fee income	10,537	13,512	15,868	18,242	21,071	23,301	5,741	6,085	6,506	7,060	25,392	28,439	31,852
Equity in earnings of associated companies	1,056	51	102	22	(94)	21	(38)	5	8	10	(15)	35	40
Other operating income / (loss)	(2,585)	(3,316)	(4,895)	(2,725)	(3,668)	(3,150)	(667)	(774)	(838)	(1,042)	(3,322)	(3,833)	(4,309)
PREVI *	5,326	4,222	4,228	2,981	1,355	598	446	450	450	450	1,796	1,500	1,500
Nonoperating income / (expense)	151	78	43	56	107	167	98	50	55	55	258	250	275
Total noninterest income	14,484	14,546	15,346	18,576	18,772	20,937	5,579	5,817	6,181	6,532	24,109	26,391	29,358
Personnel expenses	7,904	10,280	12,244	13,943	15,777	17,124	4,493	4,560	4,697	4,838	18,589	19,890	21,083
Administrative expenses	6,794	8,904	10,322	10,809	12,417	13,098	3,253	3,361	3,495	3,635	13,744	14,706	15,588
Total operating expenses	14,698	19,184	22,565	24,752	28,194	30,222	7,746	7,921	8,192	8,473	32,333	34,596	36,672
Taxes other than income tax	2,183	3,249	3,734	4,297	4,451	4,830	1,248	1,246	1,309	1,397	5,201	5,820	6,519
Total noninterest expense	16,881	22,433	26,299	29,049	32,644	35,052	8,995	9,167	9,501	9,870	37,533	40,416	43,191
Earnings before tax	14,190	13,545	17,543	18,970	17,883	16,712	4,228	4,185	4,376	4,834	17,623	20,250	23,381
Income tax, social contribution and profit sharing	4,777	5,079	6,878	7,126	6,200	5,519	1,469	1,424	1,489	1,645	6,027	6,963	8,040
Earnings before nonrecurring items	9,414	8,466	10,665	11,844	11,683	11,193	2,759	2,761	2,887	3,189	11,596	13,286	15,341
Minority Interest				(94)	(156)	(840)	(322)	(277)	(299)	(346)	(1,243)	(1,381)	(1,649)
Nonrecurring income / (expense) **	(612)	1,515	1,039	375	678	5,405	241	0	0	0	241	0	0
Net income	8,802	9,981	11,704	12,125	12,205	15,758	2,678	2,485	2,588	2,843	10,594	11,906	13,692

* In 2008, Banco do Brasil booked gains from the review of actuarial assets and liabilities of the bank's pension plan (PREVI) as nonrecurring gains (R\$5,326 million, all booked in 4Q08, pre-tax). In 2009, the bank booked R\$3,030 million of pretax PREVI gains as nonrecurring gains (all in 4Q09); in addition to the R\$1,192 million pretax PREVI gains it booked as recurring gains that year (R\$298 million per quarter). Starting in 2010, the company decided to book all the PREVI gains as recurring. Therefore, we have reclassified (retroactively) all of the 2008 and 2009 Previ gains as recurring gains, in order to make 2008 and 2009 more comparable to 2010. For both 2008 and 2009 we allocated one fourth of the PREVI gains to each quarter of the year.

** In 2005, recovery of undue taxes, partially offset by provisions for nonrecurring IR and CS and nonrecurring PIS / PASEP. In 2006, tax credits, recovery of undue taxes as well as income generated by the Parity Fund (Fundo Paridade Previ), partially offset by provisions for credit risks as well as provisions for nonrecurring IR and CS. In 2Q07, expenses related to the early retirement program, partially offset by the reimbursement of contributions made by the bank to Previ in 1Q07. In 3Q07, expenses related to the early retirement program as well as charges associated with the restructuring of the health care plan managed by Cassi, partially offset by permanent exclusions tax benefits. In 4Q07, expenses related to the early retirement program as well as charges associated with the restructuring of the health care plan managed by Cassi, partially offset by one-time gains obtained in the sale of a portion of the company's equity stake in Bovespa and BM&F, as part of their respective IPOs. In 1Q08, one-time gain obtained in the sale of a portion of the company's equity stake in Visa, as part of its IPO, tax benefits from a periodical review of the deductibility of certain expenses and the proportional consolidation of Banco do Brasil's participation in various companies, partially offset by the recording of provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s. In 2Q08, one-time gain from the sale of shares in Telemar and tax benefits from a periodical review of the deductibility of certain expenses, partially offset by the recording of provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s. In 3Q08, the reinforcement of provisions for contingent liabilities originating from BESC, aiming to adapt them to the valuation criteria of contingent liabilities adopted by Banco do Brasil as well as the recording of provisions for civil contingencies arising from economic stabilization plans implemented during the 1980s, partially offset by a tax credit originating from timing differences and CSLL recoverable generated at Besc/Bescr. In 4Q08, net gain from a revision to the calculation of actuarial assets and liabilities in the bank's health plan (Cassi), partially offset by the creation of excess loan loss reserves and additional provisions for contingencies. In 1Q09, provisions for civil, labor and fiscal contingencies, offset by the activation of deferred tax credits. In 2Q09, gain from the partial sale of Cielo as part of their IPO as well as gains from the securitization of written-off loans, partially offset by the creation of excess loan loss reserves as well as additional provisions for civil contingencies arising from old economic stabilization plans. In 3Q09, gain from the sale of additional shares of Cielo as part of the greenshoe. In 4Q09, gain from the reversal of labor claims and civil provisions for economic plans as well as gain from the securitization of written-off loans, partially offset by retirement expenses for Nossa Caixa employees. In 1Q10, gain from the reversal of labor claims as well as gain from the partial sale of thier shares in Visa Internacional, partially offset by additional provisions for civil contingencies arising from old economic stabilization plans. In 2Q10, reversal of excess loan loss reserves, reversal of provisions for labor and civil contingencies at BESC, as well as one-time gain from the increase in ownership of Brasilprev, partially offset by additional provisions for civil contingencies arising from old economic stabilization plans. In 3Q10, reversal of provisions for civil contingencies arising from old economic stabilization plans.

Source: Citi Research and Company Reports.

Figure 34. Banco do Brasil Earnings Model – Balance Sheet

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015E	2016E
Balance sheet													
ASSETS													
Cash and due from banks	5,773	8,138	10,003	10,370	12,778	12,505	11,230	12,133	12,769	15,081	15,081	17,697	19,340
Interbank deposits	140,696	194,989	197,105	262,630	302,724	325,392	389,961	373,193	380,656	382,560	382,560	459,072	527,932
Marketable securities	86,909	124,337	143,867	168,230	184,357	201,939	196,451	200,183	210,192	223,855	223,855	273,103	301,779
Cash, due from banks, and marketable securities	233,377	327,464	350,974	441,229	499,859	539,835	597,641	585,509	603,618	621,496	621,496	749,871	849,051
Gross loans and leases	207,099	284,400	338,208	400,331	492,245	584,258	592,863	619,773	651,637	687,607	687,607	791,017	909,703
Loan loss reserves	13,829	18,617	17,315	19,015	21,210	22,719	23,129	24,016	26,261	27,711	27,711	33,104	39,481
Net loans and leases	193,270	265,782	320,893	381,316	471,035	561,539	569,733	595,757	625,376	659,896	659,896	757,913	870,222
Other receivables	84,197	95,935	115,652	130,134	152,027	175,777	174,578	177,197	179,855	182,553	182,553	215,412	234,799
Other assets	6,120	8,507	10,622	14,988	13,288	15,969	17,340	17,601	17,865	18,133	18,133	21,396	23,322
Investments	966	6,645	8,128	7,973	7,640	3,536	3,382	3,387	3,395	3,405	3,405	3,440	3,480
Other permanent assets	3,343	4,216	4,904	5,590	6,637	7,258	7,290	7,472	7,659	7,812	7,812	8,984	9,792
Total assets	521,273	708,549	811,172	981,230	1,150,486	1,303,915	1,369,965	1,386,923	1,437,767	1,493,295	1,493,295	1,757,017	1,990,667
LIABILITIES													
Demand deposits	51,949	56,459	63,503	62,016	74,760	75,818	72,054	75,656	79,439	83,411	83,411	93,837	105,567
Savings deposits	54,965	75,742	89,288	100,110	117,744	140,728	144,111	148,434	155,856	165,208	165,208	198,249	237,899
Core deposits	106,914	132,200	152,791	162,126	192,504	216,546	216,165	224,091	235,295	248,619	248,619	292,086	343,466
Time deposits	149,618	193,516	204,652	265,809	263,013	247,311	238,625	250,556	260,579	273,087	273,087	295,480	318,822
Interbank deposits	14,065	11,619	18,998	14,450	16,569	27,155	27,447	28,270	29,118	30,574	30,574	33,632	36,995
Other deposits	243	229	410	-	-	-	-	-	-	-	-	-	-
Total deposits	270,841	337,564	376,851	442,386	472,085	491,013	482,237	502,918	524,992	552,279	552,279	621,198	699,283
Money market repurchase commitments	91,130	160,821	142,175	195,175	225,787	239,465	282,553	275,489	285,132	294,541	294,541	361,107	415,273
Notes and debentures	3,479	7,362	13,486	32,323	70,670	123,053	140,893	137,371	142,179	146,871	146,871	180,064	207,073
Interbank accounts	21	21	18	24	24	35	4,792	4,672	4,836	4,995	4,995	6,124	7,043
Interdepartmental accounts	2,496	3,229	3,688	3,819	5,180	4,826	2,664	2,598	2,689	2,777	2,777	3,405	3,916
Borrowings	7,627	6,370	8,598	12,257	14,081	17,315	18,962	18,488	19,135	19,766	19,766	24,234	27,869
Borrowings from development agencies	22,535	31,489	50,861	51,093	63,606	87,129	91,351	89,067	92,185	95,227	95,227	116,748	134,260
Derivative financial instruments	3,895	4,724	5,297	3,621	3,439	3,694	3,924	3,826	3,960	4,091	4,091	5,015	5,767
Subordinated debt	11,772	-	-	-	-	-	-	-	-	-	-	-	-
Purchased funds	142,955	214,018	224,122	298,313	382,788	475,517	545,140	531,512	550,115	568,268	568,268	696,697	801,202
Other liabilities	77,540	120,848	159,758	182,115	229,543	265,160	269,071	277,143	285,458	294,021	294,021	352,826	395,165
Minority interest	(0)	-	-	444	574	2,698	2,483	2,826	3,125	2,899	2,899	3,327	3,833
Total liabilities	491,335	672,430	760,732	923,257	1,084,990	1,234,389	1,298,931	1,314,398	1,363,689	1,417,468	1,417,468	1,674,048	1,899,483
EQUITY													
Total shareholders' equity	29,937	36,119	50,441	57,972	65,496	69,526	71,034	72,525	74,078	75,826	75,826	82,970	91,185
Total liabilities and equity	521,273	708,549	811,172	981,230	1,150,486	1,303,915	1,369,965	1,386,923	1,437,767	1,493,295	1,493,295	1,757,017	1,990,667

Source: Citi Research and Company Reports.

Figure 35. Banco do Brasil Earnings Model – Assumptions & Drivers

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Assumptions & drivers													
Macro economic assumptions													
Real GDP growth	5.6%	-0.2%	7.5%	2.7%	0.9%	2.3%					1.3%	1.8%	2.5%
Inflation (IPCA) coefficient	1.059	1.043	1.059	1.065	1.054	1.059	1.022	1.017	1.007	1.019	1.066	1.063	1.055
SELIC rate, eop average	13.75%	8.75%	10.75%	11.00%	7.25%	10.00%	10.75%	11.00%	11.00%	11.00%	11.00%	12.50%	11.50%
Exchange rate, eop (R\$ per US\$1.00)	12.75%	9.50%	9.85%	11.72%	8.80%	8.30%	10.38%	10.88%	11.00%	10.75%	11.75%	12.00%	12.00%
average (R\$ per US\$1.00)	2.337	1.741	1.670	1.867	2.030	2.340	2.430	2.260	2.300	2.450	2.450	2.600	2.650
average (R\$ per US\$1.00)	1.898	1.948	1.736	1.703	1.955	2.171	2.385	2.345	2.280	2.375	2.372	2.525	2.625
Key earnings drivers													
Credit Portfolio													
Nominal credit growth:													
Corporate	52.4%	29.1%	23.0%	4.4%	28.7%	21.7%	1.7%	5.0%	5.0%	5.5%	18.3%	17.0%	17.8%
SME	41.7%	28.7%	13.3%	33.7%	30.7%	12.3%	0.3%	4.0%	4.0%	4.1%	13.0%	15.0%	15.0%
Commercial	48.4%	29.0%	19.5%	14.3%	29.5%	17.9%	1.2%	4.6%	4.6%	5.0%	16.3%	16.3%	16.7%
Agribusiness	22.8%	4.3%	12.9%	18.2%	20.7%	34.7%	3.6%	5.5%	8.0%	8.0%	27.5%	17.0%	15.0%
Individuals	52.5%	88.1%	23.2%	15.4%	16.3%	10.5%	0.9%	4.0%	4.0%	4.5%	14.1%	14.0%	15.0%
Foreign loans	32.9%	14.2%	18.4%	58.9%	38.7%	11.0%	-3.9%	3.0%	3.0%	4.0%	6.0%	5.0%	4.0%
Nominal credit growth	39.9%	33.8%	19.1%	18.0%	24.3%	18.6%	1.3%	4.5%	5.1%	5.5%	17.5%	15.0%	15.0%
Gross loan and leases growth	39.1%	37.3%	18.9%	18.4%	23.0%	18.7%	1.5%	4.5%	5.1%	5.5%	17.7%	15.0%	15.0%
Real credit growth	32.1%	28.3%	12.5%	10.8%	17.9%	12.0%	-0.9%	2.8%	4.4%	3.6%	10.2%	8.2%	9.0%
Balances													
Corporate	62,292	80,416	98,894	103,228	132,848	161,697	164,500	172,725	181,361	191,336	191,336	223,863	263,599
SME	34,900	44,920	50,916	68,062	88,926	99,872	100,218	104,226	108,395	112,840	112,840	129,766	149,231
Commercial	97,192	125,336	149,810	171,290	221,774	261,570	264,718	276,951	289,757	304,176	304,176	353,629	412,829
Agribusiness	63,690	66,434	75,015	88,658	106,984	144,100	149,265	157,475	170,073	183,678	183,678	214,904	247,139
Individuals	48,811	91,791	113,096	130,561	151,869	167,746	169,333	176,107	183,151	191,393	191,393	218,188	250,916
Foreign loans	15,115	12,268	20,445	32,480	45,046	50,001	48,031	49,472	50,956	52,994	52,994	55,644	57,869
Credit portfolio	224,808	300,829	358,366	422,989	525,672	623,417	631,347	660,004	693,936	732,241	732,241	842,364	968,754
Gross loans and leases	207,099	284,400	338,208	400,331	492,245	584,258	592,863	619,773	651,637	687,607	687,607	791,017	909,703
Difference	17,709	16,429	20,158	22,658	33,427	39,159	38,484	40,231	42,299	44,634	44,634	51,347	59,051
Loan mix													
Corporate	27.7%	26.7%	27.6%	24.4%	25.3%	25.9%	26.1%	26.2%	26.1%	26.1%	26.1%	26.6%	27.2%
SME	15.5%	14.9%	14.2%	16.1%	16.9%	16.0%	15.9%	15.8%	15.6%	15.4%	15.4%	15.4%	15.4%
Commercial	43.2%	41.7%	41.8%	40.5%	42.2%	42.0%	41.9%	42.0%	41.8%	41.5%	41.5%	42.0%	42.6%
Agribusiness	28.3%	22.1%	20.9%	21.0%	20.4%	23.1%	23.6%	23.9%	24.5%	25.1%	25.1%	25.5%	25.9%
Individuals	21.7%	30.5%	31.6%	30.9%	28.9%	26.9%	26.8%	26.7%	26.4%	26.1%	26.1%	25.9%	25.9%
Foreign loans	6.7%	5.7%	5.7%	7.2%	8.6%	8.0%	7.6%	7.5%	7.3%	7.2%	7.2%	6.6%	6.0%
Credit portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Absolute change													
Corporate	21,429	18,124	18,478	4,334	29,619	28,850	2,803	8,225	8,636	9,975	29,639	32,527	39,736
SME	10,278	10,020	5,996	17,146	20,864	10,946	345	4,009	4,169	4,444	12,967	16,926	19,465
Commercial	31,707	28,144	24,474	21,481	50,483	39,796	3,148	12,234	12,805	14,419	42,606	49,453	59,201
Agribusiness	11,807	2,744	8,581	13,644	18,325	37,116	5,165	8,210	12,598	13,606	39,578	31,225	32,236
Individuals	16,813	42,980	21,305	17,464	21,308	15,877	1,588	6,773	7,044	8,242	23,647	26,795	32,728
Foreign loans	3,742	2,153	3,177	12,035	12,566	4,955	-1,971	1,441	1,484	2,038	2,993	2,650	2,226
Credit portfolio	64,069	76,021	57,537	64,624	102,683	97,745	7,930	28,658	33,932	38,305	108,824	110,123	126,390
Gross loans and leases	58,248	77,300	53,808	62,123	91,914	92,013	8,605	26,911	31,863	35,970	103,349	103,410	118,686

Source: Citi Research and Company Reports.

Figure 36. Banco do Brasil Earnings Model – Assumptions & Drivers (Continued)

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Assumptions & drivers (continued)													
Deposits													
Nominal deposit growth:													
Demand deposits	1.2%	8.7%	12.5%	-2.3%	20.5%	1.4%	-5.0%	5.0%	5.0%	5.0%	10.0%	12.5%	12.5%
Savings deposits	19.9%	37.8%	17.9%	12.1%	17.6%	19.5%	2.4%	3.0%	5.0%	6.0%	17.4%	20.0%	20.0%
Core deposits	10.1%	23.7%	15.6%	6.1%	18.7%	12.5%	-0.2%	3.7%	5.0%	5.7%	14.8%	17.5%	17.6%
Time deposits	75.0%	29.3%	5.8%	29.9%	-1.1%	-6.0%	-3.5%	5.0%	4.0%	4.8%	10.4%	8.2%	7.9%
Interbank deposits	165.7%	-17.4%	63.5%	-23.9%	14.7%	63.9%	1.1%	3.0%	3.0%	5.0%	12.6%	10.0%	10.0%
Other deposits	-23.5%	-5.7%	78.7%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nominal deposit growth	43.8%	24.6%	11.6%	17.4%	6.7%	4.0%	-1.8%	4.3%	4.4%	5.2%	12.5%	12.5%	12.6%
<i>Real deposit growth</i>	<i>35.8%</i>	<i>19.5%</i>	<i>5.4%</i>	<i>10.2%</i>	<i>1.2%</i>	<i>-1.8%</i>	<i>-3.9%</i>	<i>2.5%</i>	<i>3.7%</i>	<i>3.3%</i>	<i>5.5%</i>	<i>5.8%</i>	<i>6.7%</i>
Deposit mix													
Demand deposits	19.2%	16.7%	16.9%	14.0%	15.8%	15.4%	14.9%	15.0%	15.1%	15.1%	15.1%	15.1%	15.1%
Savings deposits	20.3%	22.4%	23.7%	22.6%	24.9%	28.7%	29.9%	29.5%	29.7%	29.9%	29.9%	31.9%	34.0%
Core deposits	39.5%	39.2%	40.5%	36.6%	40.8%	44.1%	44.8%	44.6%	44.8%	45.0%	45.0%	47.0%	49.1%
Time deposits	55.2%	57.3%	54.3%	60.1%	55.7%	50.4%	49.5%	49.8%	49.6%	49.4%	49.4%	47.6%	45.6%
Interbank deposits	5.2%	3.4%	5.0%	3.3%	5.5%	5.7%	5.5%	5.6%	5.5%	5.5%	5.5%	5.3%	5.3%
Other deposits	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total deposits	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net interest income													
Average interest earning assets	446,569	623,549	765,880	901,069	1,072,051	1,236,630	1,349,131	1,391,251	1,426,527	1,481,381	1,412,814	1,643,743	1,897,287
growth (%)	34.9%	39.6%	22.8%	17.7%	19.0%	15.4%	9.1%	3.1%	2.5%	3.8%	14.2%	16.3%	15.4%
Average yield on assets	13.0%	10.5%	10.6%	11.5%	9.7%	9.2%	9.1%	9.0%	9.0%	9.1%	9.1%	9.3%	9.2%
Average interest bearing liabilities	355,183	482,689	576,277	670,836	797,786	910,702	996,954	1,030,903	1,054,768	1,097,827	1,043,539	1,219,221	1,409,190
growth (%)	31.3%	35.9%	19.4%	16.4%	18.9%	14.2%	9.5%	3.4%	2.3%	4.1%	14.6%	16.8%	15.6%
Average cost of liabilities	9.5%	6.7%	7.3%	9.3%	7.3%	7.4%	7.5%	7.5%	7.5%	7.5%	7.5%	8.0%	8.0%
Implied spread	3.4%	3.8%	3.3%	2.2%	2.5%	1.8%	1.5%	1.5%	1.5%	1.6%	1.5%	1.3%	1.2%
Net interest margin	5.4%	5.3%	5.1%	4.6%	4.3%	3.8%	3.5%	3.4%	3.5%	3.6%	3.5%	3.4%	3.3%
Interest income	58,008	65,330	81,209	103,625	104,525	114,011	30,568	31,303	32,240	33,775	127,886	153,443	175,366
Interest expense	33,902	32,268	42,038	62,355	58,118	67,584	18,738	19,329	19,777	20,584	78,428	97,538	112,735
Net interest income	24,106	33,062	39,171	41,270	46,407	46,427	11,830	11,974	12,463	13,191	49,458	55,906	62,631
Fee income													
Customer relationship fees	3,124	3,385	3,807	4,269	4,361	4,120	959	1,016	1,088	1,180	4,243	4,752	5,323
Investment fund management fees	1,979	2,024	2,310	3,053	3,582	4,025	1,015	1,076	1,151	1,249	4,492	5,031	5,635
Loan fees	846	1,343	1,616	1,864	2,147	2,458	560	593	635	689	2,476	2,773	3,106
Collection fees	1,044	1,641	1,811	1,979	2,150	1,411	351	372	398	431	1,551	1,738	1,946
Fund transfer fees	443	509	549	640	697	726	179	190	203	221	793	888	995
Credit card fees	1,165	2,450	3,148	3,974	4,739	5,690	1,502	1,592	1,704	1,849	6,647	7,445	8,338
Insurance, Pension and Capitalization	-	402	647	556	616	1,181	290	308	329	357	1,285	1,439	1,612
Other fees	1,936	1,758	1,979	1,909	2,779	3,689	884	938	999	1,083	3,904	4,372	4,897
Fee income growth	6.4%	28.2%	17.4%	15.0%	15.5%	10.6%	-7.1%	6.0%	6.9%	8.5%	9.0%	12.0%	12.0%
Customer relationship fees	3.8%	8.4%	12.4%	12.1%	2.2%	-5.5%	-6.9%	6.0%	7.0%	8.5%	3.0%	12.0%	12.0%
Investment fund management fees	16.6%	2.2%	14.2%	32.1%	17.3%	12.4%	0.0%	6.0%	7.0%	8.5%	11.6%	12.0%	12.0%
Loan fees	-9.3%	58.8%	20.4%	15.3%	15.2%	14.5%	-16.8%	6.0%	7.0%	8.5%	0.7%	12.0%	12.0%
Collection fees	9.1%	57.2%	10.4%	9.3%	8.7%	-34.4%	-2.1%	6.0%	7.0%	8.5%	9.9%	12.0%	12.0%
Fund transfer fees	5.3%	14.7%	8.0%	16.5%	9.0%	4.1%	-4.8%	6.0%	7.0%	8.5%	9.2%	12.0%	12.0%
Credit card fees	36.2%	110.3%	28.5%	26.3%	19.3%	20.1%	-7.6%	6.0%	7.0%	8.5%	16.8%	12.0%	12.0%
Insurance, Pension and Capitalization	-	-	61.1%	-14.1%	10.8%	91.6%	-9.0%	6.0%	7.0%	8.5%	8.9%	12.0%	12.0%
Other fees	-4.6%	-9.2%	12.6%	-3.6%	45.6%	32.8%	-8.7%	6.0%	6.5%	8.5%	5.8%	12.0%	12.0%



Source: Citi Research and Company Reports.

Figure 37. Banco do Brasil Earnings Model – Assumptions & Drivers (Continued)

	2008	2009	2010	2011	2012	2013	Mar-14	Jun-14F	Sep-14F	Dec-14F	2014F	2015F	2016F
Assumptions & drivers (continued)													
Provisions for loan losses	7,519	11,630	10,675	11,827	14,651	15,600	4,187	4,438	4,766	5,019	18,410	21,632	25,417
Loan loss reserves	13,829	18,617	17,315	19,015	21,210	22,719	23,129	24,016	26,261	27,711	27,711	33,104	39,481
Growth in loan loss provisions	39.8%	54.7%	(8.2%)	10.8%	23.9%	6.5%	(0.0%)	6.0%	7.4%	5.3%	18.0%	17.5%	17.5%
NPL ratio	3.0%	3.9%	2.8%	2.6%	2.5%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%	2.7%	2.8%
Coverage ratio of NPLs	220.7%	166.3%	182.2%	180.4%	169.8%	155.6%	154.8%	155.0%	155.0%	155.0%	155.0%	155.0%	155.0%
Flow of nonperforming loans	115.2%	225.0%	88.9%	118.0%	130.3%	125.3%	27.7%	27.4%	25.6%	26.6%	113.8%	110.3%	108.4%
Nonperforming loans	6,267	11,192	9,505	10,541	12,490	14,601	14,946	15,494	16,943	17,878	17,878	21,357	25,472
Nonperforming loans, pre-chargeoffs	11,318	20,371	21,142	20,725	24,276	28,140	18,644	19,045	19,464	21,447	31,218	37,596	44,512
Chargeoffs	5,051	9,179	11,637	10,184	11,786	13,539	3,698	3,551	2,522	3,569	13,340	16,238	19,040
Provisions for loans losses / average gross loans and leases (%)	4.2	4.7	3.4	3.2	3.3	2.9	2.8	2.9	3.0	3.0	2.9	2.9	3.0
Provisions for loan losses / net interest income (%)	31.2	35.2	27.3	28.7	31.6	33.6	35.4	37.1	38.2	38.0	37.2	38.7	40.6
Chargeoffs/ average gross loans and leases (%)	2.8	3.7	3.7	2.8	2.6	2.5	2.5	2.3	1.6	2.1	2.1	2.2	2.2
Other income statement drivers													
Operating expenses													
Personnel expense growth	10.5%	30.1%	19.1%	13.9%	13.1%	8.5%	-3.9%	1.5%	3.0%	3.0%	8.6%	7.0%	6.0%
Administrative expense growth	9.2%	31.1%	15.9%	4.7%	14.9%	5.5%	-13.4%	3.3%	4.0%	4.0%	4.9%	7.0%	6.0%
Total operating expense growth	9.9%	30.5%	17.6%	9.7%	13.9%	7.2%	-8.1%	2.3%	3.4%	3.4%	7.0%	7.0%	6.0%
Other operating income / (loss) (% of average loans)	(1.5%)	(1.3%)	(1.6%)	(0.7%)	(0.8%)	(0.6%)	(0.5%)	(0.5%)	(0.5%)	(0.6%)	(0.5%)	(0.5%)	(0.5%)
Nonoperating income / (expense) (% of average loans)	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COFIN and PIS effective rate	6.3%	7.0%	6.8%	7.2%	6.6%	6.9%	7.1%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Income tax, social contribution, and profit sharing													
Income tax and social contribution	3,830	4,159	5,253	5,388	4,455	3,954	1,107	1,026	1,073	1,186	4,393	5,040	5,819
Profit sharing	946	920	1,625	1,737	1,745	1,565	362	398	416	459	1,634	1,924	2,221
Income tax, social contribution and profit sharing	4,777	5,079	6,878	7,126	6,200	5,519	1,469	1,424	1,489	1,645	6,027	6,963	8,040
Income tax and social contribution (% of EBT minus profit sharing)	28.9%	32.9%	33.0%	31.3%	27.6%	26.1%	28.6%	27.1%	27.1%	27.1%	27.5%	27.5%	27.5%
Profit sharing (% of EBT)	6.7%	6.8%	9.3%	9.2%	9.8%	9.4%	8.6%	9.5%	9.5%	9.5%	9.3%	9.5%	9.5%
Income tax, social contribution and profit sharing rate (% of EBT)	33.7%	37.5%	39.2%	37.6%	34.7%	33.0%	34.8%	34.0%	34.0%	34.0%	34.2%	34.4%	34.4%
Other balance sheet drivers													
Other assets													
Interbank deposit growth	66.4%	38.6%	1.1%	33.2%	15.3%	7.5%	19.8%	-4.3%	2.0%	0.5%	17.6%	20.0%	15.0%
Marketable securities growth	15.6%	43.1%	15.7%	16.9%	9.6%	9.5%	-2.7%	1.9%	5.0%	6.5%	10.9%	22.0%	10.5%
Other assets growth	77.3%	39.0%	24.9%	41.1%	-11.3%	20.2%	8.6%	1.5%	1.5%	1.5%	13.5%	18.0%	9.0%
Other permanent assets growth	-23.2%	26.1%	16.3%	14.0%	18.7%	9.4%	0.4%	2.5%	2.5%	2.0%	7.6%	15.0%	9.0%
Other liabilities													
Purchased funds growth	32.0%	49.7%	4.7%	33.1%	28.3%	24.2%	14.6%	-2.5%	3.5%	3.3%	19.5%	22.6%	15.0%
Other liabilities growth	110.0%	55.9%	32.2%	14.0%	26.0%	15.5%	1.5%	3.0%	3.0%	3.0%	10.9%	20.0%	12.0%
Dividends													
Dividend payout ratio (of current period net income)	3,521	4,059	4,706	4,899	4,931	6,289	1,110	994	1,035	1,095	4,234	4,762	5,477
	40.0%	40.7%	40.2%	40.4%	40.4%	39.9%	41.5%	40.0%	40.0%	38.5%	40.0%	40.0%	40.0%
Shares outstanding (million) - all ONS													
Total shares outstanding	2,568.2	2,569.9	2,860.7	2,865.4	2,845.2	2,808.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7
Average shares outstanding	2,540.2	2,568.1	2,715.3	2,863.1	2,855.3	2,832.0	2,806.2	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7	2,803.7



Source: Citi Research and Company Reports.

Figure 38. Santander Brasil Earnings Model – Summary Ratios

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Summary ratios														
Nominal R\$ million, except where indicated														
Adjusted managerial net income			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424
Adjusted managerial net income growth				64.6%	(6.7%)	(10.1%)	(12.0%)	1.8%	9.6%	5.5%	18.7%	14.7%	14.3%	14.2%
Average units outstanding (million)			3,800	3,800	3,798	3,791	3,786	3,778	3,775	3,775	3,775	3,776	3,775	3,775
EPU (R\$)			0.93	1.53	1.43	1.29	1.13	0.28	0.31	0.33	0.39	1.30	1.49	1.70
EPU growth				64.6%	(6.6%)	(9.9%)	(11.9%)	1.9%	9.7%	5.5%	18.7%	15.0%	14.3%	14.2%
Adjusted managerial net income, excluding nonrecurring items			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424
Net income growth, excluding nonrecurring items				64.6%	(6.7%)	(10.1%)	(12.0%)	1.8%	9.6%	5.5%	18.7%	14.7%	14.3%	14.2%
Average units outstanding (million)			3,800	3,800	3,798	3,791	3,786	3,778	3,775	3,775	3,775	3,776	3,775	3,775
EPU, excluding nonrecurring items (R\$)			0.93	1.53	1.43	1.29	1.13	0.28	0.31	0.33	0.39	1.30	1.49	1.70
EPU growth, excluding nonrecurring items				64.6%	(6.6%)	(9.9%)	(11.9%)	1.9%	9.7%	5.5%	18.7%	15.0%	14.3%	14.2%
Book value			64,493	64,851	65,579	65,869	62,819	57,204	57,060	56,948	56,768	56,768	57,024	58,895
Book value growth				0.6%	1.1%	0.4%	(4.6%)	(8.9%)	(0.3%)	(0.2%)	(0.3%)	(9.6%)	0.5%	3.3%
Units outstanding (million)			3,800	3,800	3,798	3,790	3,782	3,775	3,775	3,775	3,775	3,775	3,775	3,775
Book value per unit			16.97	17.06	17.29	17.38	16.61	15.15	15.11	15.09	15.04	15.04	15.11	15.60
Book value per unit growth				0.6%	1.3%	0.5%	(4.4%)	(8.8%)	(0.3%)	(0.2%)	(0.3%)	(9.5%)	0.5%	3.3%
Tangible book value			40,841	44,441	49,005	52,932	53,445	48,709	49,474	50,271	51,001	51,001	54,893	58,895
Tangible book value growth				8.8%	10.3%	8.0%	1.0%	(8.9%)	1.6%	1.6%	1.5%	(4.6%)	7.6%	7.3%
Units outstanding (million)			3,800	3,800	3,793	3,790	3,782	3,775	3,775	3,775	3,775	3,775	3,775	3,775
Tangible book value per unit			10.75	11.69	12.92	13.97	14.13	12.90	13.11	13.32	13.51	13.51	14.54	15.60
Tangible book value per unit growth				8.8%	10.5%	8.1%	1.2%	(8.7%)	1.6%	1.6%	1.5%	(4.4%)	7.6%	7.3%
Balance sheet growth														
Nominal credit growth (%)				14.7	16.0	7.6	7.3	(1.5)	2.4	3.5	5.4	10.0	10.0	10.0
Real credit growth (%)				8.4	8.9	2.0	1.3	(3.6)	0.7	2.8	3.4	3.2	3.5	4.3
Nominal deposit growth (%)				3.5	3.7	3.9	6.1	(0.7)	2.9	2.9	3.8	9.0	10.0	10.0
Real deposit growth (%)				(2.2)	(2.6)	(1.4)	0.1	(2.8)	1.1	2.2	1.8	2.2	3.5	4.3
Asset quality														
NPL ratio (%)			6.8	4.7	5.5	6.6	4.6	4.8	4.7	4.7	4.6	4.6	4.5	4.5
Coverage ratio of NPLs (%)			98.1	113.3	111.1	104.8	144.9	140.1	140.0	140.0	140.0	140.0	140.0	140.0
Coverage ratio of gross loans and leases (%)			6.7	5.3	6.1	6.9	6.6	6.7	6.6	6.6	6.4	6.4	6.3	6.3
Provisions for loan losses / average gross loans and leases (%)				5.1	5.2	6.5	5.3	4.2	4.3	4.3	4.2	4.2	4.0	4.0
Provisions for loan losses / net interest income (%)			41.5	31.4	33.7	40.8	39.3	33.5	34.0	33.6	32.4	33.3	33.5	33.4
Chargeoffs / average gross loans and leases (%)				5.9	4.6	6.1	6.3	5.3	4.2	3.4	3.4	3.7	3.6	3.4
Provisions for loan losses			9,274	7,775	9,458	13,223	11,720	2,346	2,421	2,499	2,579	9,844	10,632	11,482
Chargeoffs			8,631	8,995	8,248	12,401	13,909	2,988	2,373	1,968	2,091	8,728	9,399	9,748
Nonperforming loans			9,646	7,704	10,796	13,920	10,353	10,741	10,784	11,163	11,511	11,511	12,392	13,631
Loan loss reserves			9,463	8,724	11,998	14,589	14,999	15,050	15,098	15,629	16,116	16,116	17,349	19,084
Gross loans and leases			142,019	165,379	197,062	211,959	227,507	224,031	229,453	237,518	250,247	250,247	275,380	302,918
Capital														
Average equity / average total assets (%)				17.7	16.1	15.1	13.8	12.2	11.4	11.1	10.7	11.2	10.0	9.3
BIS ratio (%) *			25.6	22.1	19.9	17.7	19.2							
Tier I ratio (%) *			20.7	19.0	17.5	16.2	18.4							
Tier II ratio (%)			4.9	3.1	2.4	1.5	0.8							
* Including goodwill from 4Q13 onwards, as the bank no longer provides capital ratios excluding goodwill.														
Liquidity														
Deposits / assets (%)			33.1	30.3	28.7	28.3	27.6	26.9	27.0	26.9	26.9	26.9	27.0	27.1
Deposits / gross loans and leases (%)			79.9	71.0	61.8	59.7	59.0	59.5	59.7	59.4	58.5	58.5	58.4	58.4
Purchased funds / assets (%)			23.7	32.2	37.1	37.6	38.9	37.7	37.8	38.1	38.5	38.5	38.8	38.9
Purchased funds / gross loans and leases (%)			57.2	75.4	79.7	79.3	83.1	83.1	83.7	84.0	83.8	83.8	83.7	83.7
Liquid assets / assets (%)			33.7	29.8	24.7	26.5	27.0	26.8	27.0	27.0	26.5	26.5	26.6	26.7
Gross loans and leases / assets (%)			41.5	42.7	46.5	47.4	46.8	45.3	45.2	45.4	46.0	46.0	46.3	46.5



Source: Citi Research and Company Reports.

Figure 39. Santander Brasil Earnings Model – Summary Ratios (Continued)

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Income statement (Managerial)														
Nominal R\$ million														
Interest income			31,818	40,931	57,353	55,304	56,456	13,845	14,007	14,557	15,359	57,768	68,366	72,809
Interest expense			9,494	16,132	29,275	22,924	26,629	6,845	6,890	7,114	7,400	28,249	36,620	38,227
Net interest income			22,324	24,799	28,078	32,380	29,827	7,000	7,117	7,443	7,959	29,519	31,746	34,582
Provisions for loan losses			9,274	7,775	9,458	13,223	11,720	2,346	2,421	2,499	2,579	9,844	10,632	11,482
Net interest income after provisions			13,050	17,024	18,619	19,158	18,107	4,654	4,696	4,944	5,380	19,675	21,114	22,900
Fee income			7,380	7,803	8,950	10,025	10,787	2,633	2,686	2,783	2,952	11,053	11,938	12,893
Equity in earnings of associated companies			169	2	4	1	20	(0)	8	8	8	24	25	30
Other operating income			2,151	1,941	2,018	2,261	2,352	564	581	611	653	2,409	2,603	2,791
Total noninterest income			9,699	9,747	10,972	12,267	13,160	3,197	3,275	3,402	3,612	13,486	14,566	15,713
Personnel expenses			5,716	6,171	6,748	7,277	7,241	1,760	1,844	1,933	2,039	7,575	8,030	8,511
Administrative expenses			7,330	6,937	7,682	8,544	9,055	2,214	2,321	2,432	2,566	9,533	10,105	10,712
Goodwill amortization expense			2,871	3,241	3,104	3,637	3,637	909	909	909	909	3,637	3,637	2,130
Total operating expenses			15,917	16,350	17,533	19,458	19,934	4,883	5,074	5,274	5,514	20,745	21,772	21,353
Taxes other than income tax			2,331	2,341	2,959	3,138	3,124	767	745	777	829	3,118	3,383	3,661
Other operating expense			6,750	3,505	5,237	5,827	5,574	1,370	1,424	1,481	1,578	5,853	6,204	6,577
Other non-operating (income) / expense			(4,127)	(393)	(306)	(70)	(238)	(9)	(70)	(70)	(85)	(234)	(240)	(265)
Total noninterest expense			20,870	21,804	25,423	28,353	28,394	7,011	7,173	7,462	7,836	29,483	31,119	31,325
Earnings before tax			1,879	4,967	4,169	3,092	2,872	840	797	884	1,157	3,678	4,562	7,288
Income tax and social contribution			20	1,035	531	274	518	269	112	124	162	666	821	1,822
Earnings before minority interest			1,859	3,933	3,638	2,818	2,355	572	686	760	995	3,012	3,741	5,466
Minority interest			53	69	81	126	248	53	65	75	80	273	300	320
Accounting net income			1,806	3,863	3,557	2,692	2,107	518	621	685	915	2,739	3,441	5,146
Goodwill amortization expense			2,871	3,241	3,104	3,637	3,637	909	909	909	909	3,637	3,637	2,130
Managerial net income			4,677	7,104	6,661	6,329	5,744	1,428	1,530	1,594	1,824	6,376	7,078	7,276
Tax shield from goodwill amortization expense*			1,148	1,296	1,241	1,455	1,455	364	364	364	364	1,455	1,455	852
Adjusted managerial net income			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424
Nonrecurring income / (expense)			0	0	0	0	0	0	0	0	0	0	0	0
Adjusted managerial net income, excluding nonrecurring items			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424



Source: Citi Research and Company Reports.

Figure 40. Santander Brasil Earnings Model – Income Statement

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Income statement (Managerial)														
Nominal R\$ million														
Interest income			31,818	40,931	57,353	55,304	56,456	13,845	14,007	14,557	15,359	57,768	68,366	72,609
Interest expense			9,494	16,132	29,275	22,924	26,629	6,845	6,890	7,114	7,400	28,249	36,620	38,227
Net interest income			22,324	24,799	28,078	32,380	29,827	7,000	7,117	7,443	7,959	29,519	31,746	34,382
Provisions for loan losses			9,274	7,775	9,458	13,223	11,720	2,346	2,421	2,499	2,579	9,844	10,632	11,482
Net interest income after provisions			13,050	17,024	18,619	19,158	18,107	4,654	4,696	4,944	5,380	19,675	21,114	22,900
Fee income			7,380	7,803	8,950	10,025	10,787	2,633	2,686	2,783	2,952	11,053	11,938	12,893
Equity in earnings of associated companies			169	2	4	1	20	(0)	8	8	8	24	25	30
Other operating income			2,151	1,941	2,018	2,261	2,352	564	581	611	653	2,409	2,603	2,791
Total noninterest income			9,699	9,747	10,972	12,287	13,160	3,197	3,275	3,402	3,612	13,486	14,566	15,713
Personnel expenses			5,716	6,171	6,748	7,277	7,241	1,760	1,844	1,933	2,039	7,575	8,030	8,511
Administrative expenses			7,330	6,937	7,682	8,544	9,055	2,214	2,321	2,432	2,566	9,533	10,105	10,712
Goodwill amortization expense			2,871	3,241	3,104	3,637	3,637	909	909	909	909	3,637	3,637	2,130
Total operating expenses			15,917	16,350	17,533	19,458	19,934	4,883	5,074	5,274	5,514	20,745	21,772	21,353
Taxes other than income tax			2,331	2,341	2,959	3,138	3,124	767	745	777	829	3,118	3,383	3,661
Other operating expense			6,750	3,505	5,237	5,827	5,574	1,370	1,424	1,481	1,578	5,853	6,204	6,577
Other non-operating (income) / expense			(4,127)	(393)	(306)	(70)	(238)	(9)	(70)	(70)	(85)	(234)	(240)	(265)
Total noninterest expense			20,870	21,804	25,423	28,353	28,394	7,011	7,173	7,462	7,836	29,483	31,119	31,325
Earnings before tax			1,879	4,967	4,169	3,092	2,872	840	797	884	1,157	3,678	4,562	7,288
Income tax and social contribution			20	1,035	531	274	518	269	112	124	162	666	821	1,822
Earnings before minority interest			1,859	3,933	3,638	2,818	2,355	572	686	760	995	3,012	3,741	5,466
Minority interest			53	69	81	126	248	53	65	75	80	273	300	320
Accounting net income			1,806	3,863	3,557	2,692	2,107	518	621	685	915	2,739	3,441	5,146
Goodwill amortization expense			2,871	3,241	3,104	3,637	3,637	909	909	909	909	3,637	3,637	2,130
Managerial net income			4,677	7,104	6,661	6,329	5,744	1,428	1,530	1,594	1,824	6,376	7,078	7,276
Tax shield from goodwill amortization expense*			1,148	1,296	1,241	1,455	1,455	364	364	364	364	1,455	1,455	852
Adjusted managerial net income			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424
Nonrecurring income / (expense)			0	0	0	0	0	0	0	0	0	0	0	0
Adjusted managerial net income, excluding nonrecurring items			3,528	5,808	5,419	4,874	4,290	1,064	1,166	1,230	1,460	4,921	5,623	6,424



Source: Citi Research and Company Reports.

Figure 41. Santander Brasil Earnings Model – Balance Sheet

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Balance sheet														
Nominal R\$ million														
ASSETS														
Cash and due from banks			5,624	4,376	4,471	4,742	5,486	5,204	6,364	7,230	6,250	6,250	6,763	7,417
Interbank investments			30,174	21,058	25,485	36,771	47,655	31,255	32,036	32,837	33,822	33,822	37,205	40,925
Marketable securities			79,691	89,897	74,616	76,832	78,146	96,242	98,648	101,114	104,148	104,148	114,563	126,019
Cash, due from banks, interbank investments and marketable securities			115,488	115,331	104,572	118,346	131,287	132,701	137,048	141,182	144,221	144,221	158,530	174,361
Gross loans and leases			142,019	165,379	197,062	211,959	227,507	224,031	229,453	237,518	250,247	250,247	275,380	302,918
Loan loss reserves			9,463	8,724	11,998	14,589	14,999	15,050	15,098	15,629	16,116	16,116	17,349	19,084
Net loans and leases			132,556	156,654	185,064	197,370	212,508	208,981	214,355	221,889	234,131	234,131	258,031	283,834
Interbank and interbranch accounts			8,894	41,619	45,258	34,518	35,834	42,713	43,925	45,384	47,294	47,294	52,070	57,274
Other receivables from financial transactions			54,495	44,595	62,600	72,643	84,339	89,440	92,068	95,125	99,128	99,128	109,139	120,047
Net property and equipment			3,658	4,431	4,935	5,602	6,807	6,704	6,677	6,898	7,189	7,189	7,915	8,706
Net goodwill			23,652	20,410	16,574	12,937	9,374	8,495	7,586	6,677	5,767	5,767	2,130	0
Net intangibles			2,504	2,981	3,477	4,280	3,770	3,557	3,865	3,994	4,162	4,162	4,582	5,040
Other assets			1,077	1,191	1,246	1,657	1,947	2,021	2,108	2,178	2,270	2,270	2,499	2,749
Total assets			342,324	387,212	423,726	447,353	485,866	494,612	507,633	523,327	544,161	544,161	594,896	652,011
LIABILITIES														
Demand deposits			14,787	15,827	13,537	13,457	15,605	14,356	14,858	15,378	16,147	16,147	17,762	19,538
Savings deposits			25,217	30,303	23,293	26,857	33,589	35,023	36,249	37,518	39,394	39,394	43,333	47,666
Core deposits			40,004	46,130	36,830	40,314	49,194	49,379	51,108	52,896	55,541	55,541	61,095	67,205
Time deposits			72,154	68,914	82,097	82,639	81,100	79,891	81,888	83,936	86,454	86,454	95,099	104,609
Interbank deposits			764	2,002	2,870	3,392	3,920	3,956	4,055	4,157	4,281	4,281	4,710	5,180
Other deposits			551	433	0	0	0	0	0	0	0	0	0	0
Total deposits			113,473	117,479	121,798	126,545	134,213	133,227	137,051	140,989	146,276	146,276	160,904	176,994
Money market funding			34,612	65,778	78,036	72,529	78,462	86,279	88,841	91,950	96,088	96,088	105,697	116,266
Notes and debentures			12,109	20,419	39,933	56,294	69,061	66,125	68,111	70,495	73,667	73,667	81,034	89,137
Interbank accounts and interbranch accounts			1,957	2,383	2,021	2,835	3,730	4,107	4,107	4,088	4,261	4,261	4,688	5,156
Borrowings and onlendings			21,203	26,442	26,120	25,427	29,751	30,095	29,285	31,331	33,809	33,809	37,190	40,908
Subordinated debt			11,307	9,695	10,908	11,919	8,906	0	1,645	1,703	1,779	1,779	1,957	2,153
Purchased funds			81,188	124,717	157,018	168,189	189,015	186,229	191,988	199,567	209,605	209,605	230,565	253,622
Other liabilities			82,730	79,689	78,781	85,909	98,831	116,912	120,428	124,643	130,252	130,252	144,843	160,620
Minority interest			441	477	551	841	987	1,040	1,105	1,180	1,260	1,260	1,560	1,880
Total liabilities			277,831	322,361	358,147	381,483	423,046	437,408	450,573	466,379	487,393	487,393	537,873	593,116
EQUITY														
Total shareholders' equity			64,493	64,851	65,579	65,869	62,819	57,204	57,060	56,948	56,768	56,768	57,024	58,895
Total liabilities and equity			342,324	387,212	423,726	447,353	485,866	494,612	507,633	523,327	544,161	544,161	594,896	652,011



Source: Citi Research and Company Reports.

Figure 42. Santander Brasil Earnings Model – Assumptions & Drivers

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers														
Nominal R\$ million, except where indicated														
Macro economic assumptions														
Real GDP growth			-0.2%	7.5%	2.7%	1.4%	2.3%					1.3%	1.8%	2.5%
Inflation (IPCA) coefficient			1.043	1.059	1.065	1.054	1.059	1.022	1.017	1.007	1.019	1.066	1.063	1.055
SELIC rate, eop			8.75%	10.75%	11.00%	7.25%	10.00%	10.75%	11.00%	11.00%	11.00%	11.00%	12.50%	11.50%
average			9.50%	9.85%	11.72%	8.80%	8.30%	10.38%	10.88%	11.00%	11.00%	10.75%	11.75%	12.00%
Exchange rate, eop (R\$ per US\$1.00)			1.741	1.670	1.868	2.030	2.362	2.430	2.260	2.300	2.450	2.450	2.600	2.650
average (R\$ per US\$1.00)			1.948	1.737	1.703	1.955	2.175	2.396	2.345	2.280	2.375	2.375	2.525	2.625
Key earnings drivers														
Credit Portfolio														
Nominal credit growth:														
Individuals			n/a	14.4%	15.5%	6.8%	4.9%	(0.3%)	2.5%	3.6%	5.5%	11.7%	10.5%	10.0%
SME			n/a	24.9%	22.4%	(23.9%)	(7.6%)	(5.5%)	2.0%	3.0%	4.5%	3.8%	8.5%	10.0%
Corporate			n/a	7.5%	11.1%	40.6%	19.3%	(1.6%)	2.5%	3.6%	5.5%	10.3%	10.0%	10.0%
Total nominal credit growth			n/a	14.7%	16.0%	7.6%	7.3%	(1.5%)	2.4%	3.5%	5.4%	10.0%	10.0%	10.0%
Real credit portfolio growth				8.4%	8.9%	2.0%	1.3%	(3.6%)	0.7%	2.8%	3.4%	3.2%	3.5%	4.3%
Balances														
Individuals			72,185	84,960	101,197	108,093	113,371	113,009	115,834	120,004	126,604	126,604	139,898	153,888
SME			31,448	38,306	47,940	36,487	33,712	31,873	32,510	33,486	34,993	34,993	37,967	41,764
Corporate			38,386	42,111	47,925	67,379	80,400	79,130	81,108	84,028	88,650	88,650	97,515	107,266
Total credit portfolio *			142,019	165,377	197,062	211,959	227,483	224,012	229,453	237,518	250,247	250,247	275,380	302,918
Loan mix														
Individuals			50.8%	51.4%	51.4%	51.0%	49.8%	50.4%	50.5%	50.5%	50.6%	50.6%	50.8%	50.8%
SME			22.1%	23.2%	24.3%	17.2%	14.8%	14.2%	14.2%	14.1%	14.0%	14.8%	13.8%	13.8%
Corporate			27.0%	25.5%	24.3%	31.8%	35.3%	35.3%	35.3%	35.4%	35.4%	35.4%	35.4%	35.4%
Credit portfolio			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Absolute change														
Individuals			n/a	12,775	16,237	6,896	5,278	(362)	2,825	4,170	6,600	13,233	13,293	13,990
SME			n/a	6,858	9,634	(11,453)	(2,775)	(1,839)	637	975	1,507	1,281	2,974	3,797
Corporate			n/a	3,725	5,814	19,454	13,021	(1,270)	1,978	2,920	4,622	8,250	8,865	9,751
Credit portfolio			n/a	23,358	31,685	14,897	15,524	(3,471)	5,441	8,065	12,729	22,764	25,133	27,538
Deposits														
Nominal deposit growth														
Demand deposits			n/a	7.0%	(14.5%)	(0.6%)	16.0%	(8.0%)	3.5%	3.5%	5.0%	3.5%	10.0%	10.0%
Savings deposits			n/a	20.2%	(23.1%)	15.3%	25.1%	4.3%	3.5%	3.5%	5.0%	17.3%	10.0%	10.0%
Core deposits			n/a	15.3%	(20.2%)	9.5%	22.0%	0.4%	3.5%	3.5%	5.0%	12.9%	10.0%	10.0%
Time deposits			n/a	(4.5%)	19.1%	0.9%	(2.1%)	(1.5%)	2.5%	2.5%	3.0%	6.6%	10.0%	10.0%
Interbank deposits			n/a	162.0%	43.4%	18.2%	15.5%	0.9%	2.5%	2.5%	3.0%	9.2%	10.0%	10.0%
Other deposits			n/a	(21.4%)	(100.0%)	n/a	n/a	n/a	0.0%	0.0%	0.0%	n/a	0.0%	0.0%
Total deposit growth			n/a	3.5%	3.7%	3.9%	6.1%	(0.7%)	2.9%	2.9%	3.8%	9.0%	10.0%	10.0%
Real deposit growth				-2.2%	-2.6%	-1.4%	0.1%	-2.8%	1.1%	2.2%	1.8%	2.2%	3.5%	4.3%
Deposit mix														
Demand deposits			13.0%	13.5%	11.1%	10.6%	11.6%	10.8%	10.8%	10.9%	11.0%	11.0%	11.0%	11.0%
Savings deposits			22.2%	25.8%	19.1%	21.2%	25.0%	26.3%	26.6%	26.6%	26.9%	26.9%	26.9%	26.9%
Core deposits			35.3%	39.3%	30.2%	31.9%	36.7%	37.1%	37.3%	37.5%	38.0%	38.0%	38.0%	38.0%
Time deposits			63.6%	58.7%	67.4%	65.5%	60.4%	60.0%	59.8%	59.5%	59.1%	59.1%	59.1%	59.1%
Interbank deposits			0.7%	1.7%	2.4%	2.7%	2.9%	3.0%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%
Other deposits			0.5%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total deposits			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Absolute change in deposits														
Demand deposits			n/a	1,039	(2,290)	(80)	2,148	(1,249)	502	520	769	543	1,615	1,776
Savings deposits			n/a	5,087	(7,010)	3,563	6,732	1,434	1,226	1,269	1,876	5,805	3,939	4,333
Core deposits			n/a	6,126	(9,300)	3,484	8,880	186	1,728	1,789	2,645	6,347	5,554	6,110
Time deposits			n/a	(3,240)	13,183	741	(1,739)	(1,209)	1,997	2,047	2,518	5,354	8,645	9,510
Interbank deposits			n/a	1,238	868	522	527	37	99	101	125	362	428	471
Other deposits			n/a	(118)	(433)	0	0	0	0	0	0	0	0	0
Total deposits			n/a	4,006	4,318	4,748	7,668	(986)	3,824	3,937	5,288	12,063	14,628	16,090



Source: Citi Research and Company Reports.

Figure 43. Santander Brasil Earnings Model – Assumptions & Drivers (Continued)

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)														
Nominal R\$ million, except where indicated														
Interest-earning assets and interest-bearing liabilities														
Total interest-earning assets			248,044	271,985	289,636	315,715	343,794	341,682	351,403	363,071	378,351	378,351	416,561	458,195
Growth in total interest-earning assets				9.7%	6.5%	9.0%	8.9%	(0.6%)	2.8%	3.3%	4.2%	10.1%	10.1%	10.0%
Growth in interbank investments				(30.2%)	21.0%	44.3%	29.6%	(34.4%)	2.5%	2.5%	3.0%	(29.0%)	10.0%	10.0%
Growth in marketable securities				12.8%	(17.0%)	3.0%	1.7%	23.2%	2.5%	2.5%	3.0%	33.3%	10.0%	10.0%
Interest-earning assets mix:														
Cash and due from banks			2.3%	1.6%	1.5%	1.5%	1.6%	1.5%	1.8%	2.0%	1.7%	1.7%	1.6%	1.6%
Interbank investments			12.2%	7.7%	8.8%	11.6%	13.9%	9.1%	9.1%	9.0%	8.9%	8.9%	8.9%	8.9%
Marketable securities			32.1%	33.1%	25.8%	24.3%	22.7%	28.2%	28.1%	27.8%	27.5%	27.5%	27.5%	27.5%
Net loans			53.4%	57.6%	63.9%	62.5%	61.8%	61.2%	61.0%	61.1%	61.9%	61.9%	61.9%	61.9%
Total interest-earning assets			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total interest-bearing liabilities														
Total interest-bearing liabilities			194,661	242,196	278,815	294,734	323,228	319,456	329,039	340,556	355,881	355,881	391,469	430,616
Growth in total interest-bearing liabilities				24.4%	15.1%	5.7%	9.7%	(1.2%)	3.0%	3.5%	4.5%	10.1%	10.0%	10.0%
Interest-bearing liabilities mix:														
Total deposits			58.3%	48.5%	43.7%	42.9%	41.5%	41.7%	41.7%	41.4%	41.1%	41.1%	41.1%	41.1%
Money market funding			17.8%	27.2%	28.0%	24.6%	24.3%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Notes and debentures			6.2%	8.4%	14.3%	19.1%	21.4%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%
Interbank accounts and interbranch accounts			1.0%	1.0%	0.7%	0.7%	0.9%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Borrowings and onlendings			10.9%	10.9%	9.4%	8.6%	9.2%	9.4%	8.9%	9.2%	9.5%	9.5%	9.5%	9.5%
Subordinated debt			5.8%	4.0%	3.9%	4.0%	2.8%	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total interest-bearing liabilities			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net interest income														
Average interest earning assets growth (%)				260,015	280,811	302,676	329,755	342,738	346,543	357,237	370,711	361,073	397,456	437,378
Average yield on assets				15.7%	20.4%	18.3%	17.1%	17.8%	16.2%	16.3%	16.6%	16.0%	17.2%	16.6%
Average interest bearing liabilities growth (%)				218,428	260,506	286,775	308,981	321,342	324,248	334,798	348,218	339,554	373,675	411,042
Average cost of liabilities				7.4%	11.2%	8.0%	8.6%	8.5%	8.5%	8.5%	8.5%	8.3%	9.8%	9.3%
Implied spread				8.4%	9.2%	10.3%	8.5%	9.2%	7.7%	7.8%	8.1%	7.7%	7.4%	7.3%
Net interest margin				9.5%	10.0%	10.7%	9.0%	8.2%	8.2%	8.3%	8.6%	8.2%	8.0%	7.9%
Interest income			31,818	40,931	57,353	55,304	56,456	13,845	14,007	14,557	15,359	57,768	68,366	72,609
Interest expense			9,494	16,132	29,275	22,924	26,629	6,845	6,890	7,114	7,400	28,249	36,620	38,227
Net interest income			22,324	24,799	28,078	32,380	29,827	7,000	7,117	7,443	7,959	29,519	31,746	34,382

Source: Citi Research and Company Reports.

Figure 44. Santander Brasil Earnings Model – Assumptions & Drivers (Continued)

		2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
													
Assumptions & drivers (continued)		Nominal R\$ million, except where indicated											
Fee income													
Income from Funds, Consortia and Bens' Management		1,204	1,280	1,269	1,172	236	240	249	249	264	989	1,068	1,154
Current Account Services		1,454	1,503	1,612	1,803	459	468	485	485	514	1,926	2,080	2,246
Lending Operations		980	1,038	1,029	947	280	286	296	296	314	1,177	1,271	1,372
Insurance fees		1,041	1,403	1,461	1,819	428	437	453	453	482	1,800	1,944	2,099
Credit and Debit Cards and Acquiring Services		1,379	2,173	3,004	3,294	821	837	867	867	919	3,444	3,719	4,017
Receiving Services		671	633	721	810	215	220	228	228	241	904	976	1,054
Securities Brokerage and Placement Services		606	476	416	448	128	130	135	135	143	537	580	626
Others		469	443	514	494	66	67	70	70	74	277	299	323
Total		7,803	8,950	10,025	10,787	2,633	2,686	2,783	2,783	2,952	11,053	11,938	12,893
Fee income growth													
Income from Funds, Consortia and Bens' Management			6.3%	(0.9%)	(7.7%)	(9.7%)	2.0%	3.6%	3.6%	6.0%	(15.6%)	8.0%	8.0%
Current Account Services			3.4%	7.2%	11.8%	(2.5%)	2.0%	3.6%	3.6%	6.0%	6.8%	8.0%	8.0%
Lending Operations			5.9%	(0.9%)	(7.9%)	(9.4%)	2.0%	3.6%	3.6%	6.0%	24.2%	8.0%	8.0%
Insurance fees			34.8%	4.1%	24.5%	(18.2%)	2.0%	3.6%	3.6%	6.5%	(1.1%)	8.0%	8.0%
Credit and Debit Cards and Acquiring Services			57.6%	38.3%	9.7%	(7.2%)	2.0%	3.6%	3.6%	6.0%	4.5%	8.0%	8.0%
Receiving Services			(5.7%)	13.8%	12.5%	(2.0%)	2.0%	3.6%	3.6%	6.0%	11.6%	8.0%	8.0%
Securities Brokerage and Placement Services			(21.4%)	(12.7%)	7.8%	35.8%	2.0%	3.6%	3.6%	6.0%	19.8%	8.0%	8.0%
Others			(5.5%)	15.9%	(3.9%)	(21.5%)	2.0%	3.6%	3.6%	6.0%	(43.9%)	8.0%	8.0%
Total			14.7%	12.0%	7.6%	(7.5%)	2.0%	3.6%	3.6%	6.1%	2.5%	8.0%	8.0%
Absolute change													
Income from Funds, Consortia and Bens' Management			76	(11)	(97)	(25)	5	9	9	15	(182)	79	85
Current Account Services			50	109	190	(12)	9	17	17	29	123	154	166
Lending Operations			58	(9)	(81)	(29)	6	10	10	18	229	94	102
Insurance fees			363	57	358	(95)	9	16	16	29	(19)	144	155
Credit and Debit Cards and Acquiring Services			794	831	290	(63)	16	30	30	52	149	276	298
Receiving Services			(38)	88	90	(4)	4	8	8	14	94	72	78
Securities Brokerage and Placement Services			(129)	(61)	32	34	3	5	5	8	89	43	46
Others			(26)	70	(20)	(18)	1	2	2	4	(217)	22	24
Total			1,147	1,075	762	(214)	53	97	97	169	266	884	955



Source: Citi Research and Company Reports.

Figure 45. Santander Earnings Model – Assumptions & Drivers (Continued)

	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)	Nominal R\$ million, except where indicated											
Asset quality												
Provisions for loan losses	9,274	7,775	9,458	13,223	11,720	2,346	2,421	2,499	2,579	9,844	10,632	11,482
Loan loss reserves	9,463	8,724	11,998	14,589	14,999	15,050	15,098	15,629	16,116	16,116	17,349	19,084
Growth in loan loss provisions		(16.2%)	21.6%	39.8%	(11.4%)	(4.2%)	3.2%	3.2%	3.2%	(16.0%)	8.0%	8.0%
NPL ratio	6.8%	4.7%	5.5%	6.6%	4.6%	4.8%	4.7%	4.7%	4.6%	4.6%	4.5%	4.5%
Coverage ratio of NPLs	98.1%	113.3%	111.1%	104.8%	144.9%	140.1%	140.0%	140.0%	140.0%	140.0%	140.0%	140.0%
Flow of nonperforming loans		73.1%	147.2%	143.8%	74.3%	32.6%	22.5%	21.8%	21.9%	95.5%	89.3%	88.7%
Nonperforming loans	9,646	7,704	10,796	13,920	10,353	10,741	10,784	11,163	11,511	11,511	12,392	13,631
Nonperforming loans, pre-chargeoffs	18,277	16,699	19,044	26,321	24,262	13,729	13,157	13,131	13,603	20,239	21,791	23,379
Chargeoffs	8,631	8,995	8,248	12,401	13,909	2,988	2,373	1,968	2,091	8,728	9,399	9,748
Provisions for loan losses / average gross loans and leases (%)		5.1	5.2	6.5	5.3	4.2	4.3	4.3	4.2	4.2	4.0	4.0
Chargeoffs / average gross loans and leases (%)		5.9	4.6	6.1	6.3	5.3	4.2	3.4	3.4	3.7	3.6	3.4
Other operating income												
Other operating income as a % of avg interest-earning assets		0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%
% change in other operating income		(9.7%)	4.0%	12.0%	4.0%	(18.2%)	3.0%	5.2%	6.8%	2.4%	8.1%	7.2%
Non-interest expense												
Personnel expense (as % of average interest-earning assets)		2.4%	2.4%	2.4%	2.2%	2.1%	2.1%	2.2%	2.2%	2.1%	2.0%	1.9%
Administration expense (as % of average interest-earning assets)		2.7%	2.7%	2.8%	2.7%	2.6%	2.7%	2.7%	2.8%	2.6%	2.5%	2.4%
Taxes other than income tax (as % of net interest income and fee income)	7.8%	7.2%	8.0%	7.4%	7.7%	8.0%	7.6%	7.6%	7.6%	7.7%	7.7%	7.7%
Other operating expense (as % of average interest-earnings assets)		1.3%	1.9%	1.9%	1.7%	1.6%	1.7%	1.7%	1.7%	1.6%	1.6%	1.5%
Other non-operating income / (expense) (as % of average interest-earning assets)		(0.2%)	(0.1%)	(0.0%)	(0.1%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Personnel expense, growth		8.0%	9.3%	7.8%	(0.5%)	(9.6%)	4.8%	4.8%	5.5%	4.6%	6.0%	6.0%
Administration expense, growth		(5.4%)	10.7%	11.2%	6.0%	(6.4%)	4.8%	4.8%	5.5%	5.3%	6.0%	6.0%
Goodwill amortization expense (Banco Real), growth		12.9%	(4.2%)	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(41.4%)
Taxes other than income tax		0.4%	26.4%	6.1%	(0.4%)	(2.4%)	(2.8%)	4.3%	6.7%	(0.2%)	8.5%	8.2%
Other operating expense		(48.1%)	49.4%	11.3%	(4.3%)	(9.8%)	4.0%	4.0%	6.5%	5.0%	6.0%	6.0%
Other non-operating income / (expense)		(90.5%)	(22.0%)	(77.3%)	241.0%	(68.8%)	698.8%	0.0%	21.4%	(1.6%)	2.7%	10.4%
Total operating expenses growth		2.7%	7.2%	11.0%	2.4%	(6.5%)	3.9%	3.9%	4.6%	4.1%	4.9%	(1.9%)
Total operating expense growth excluding goodwill amortization expense		0.5%	10.1%	9.6%	3.0%	(7.9%)	4.8%	4.8%	5.5%	5.0%	6.0%	6.0%
Total non-interest expense growth		4.5%	16.6%	11.5%	0.1%	(6.5%)	2.3%	4.0%	5.0%	3.8%	5.5%	0.7%
Other income statement items												
Income tax and social contribution (% of earnings before tax)	1.1%	20.8%	12.7%	8.9%	18.0%	32.0%	14.0%	14.0%	14.0%	18.1%	18.0%	25.0%
Income tax and social contribution (% of earnings before tax excluding goodwill)	0.4%	12.6%	7.3%	4.1%	8.0%	15.4%	6.5%	6.9%	7.8%	9.1%	10.0%	19.3%
Minority interest (% of earnings before minority interest)	2.9%	1.8%	2.2%	4.5%	10.5%	9.3%	9.5%	9.9%	8.0%	9.1%	8.0%	5.9%
Effective tax rate on goodwill amortization expense	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Other balance sheet items												
Interbank and interbranch accounts (% of avg interest-earning assets)	3.6%	15.3%	15.6%	10.9%	10.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Other receivables from financial transactions (% of avg int-earning assets)	22.0%	16.4%	21.6%	23.0%	24.5%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%
Net property and equipment (% of average interest-earning assets)	1.5%	1.6%	1.7%	1.8%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Net intangibles (% of average interest-earning assets)	1.0%	1.1%	1.2%	1.4%	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Other assets (% of average interest-earning assets)	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Other liabilities (% of average interest-bearing liabilities)	42.5%	32.9%	28.3%	29.1%	30.6%	36.6%	36.6%	36.6%	36.6%	36.6%	37.0%	37.3%
Dividends												
Dividends paid	1,575	3,540	3,175	2,670	2,400	220	765	797	1,095	2,876	3,185	3,274
Dividend payout ratio (of current period managerial net income)	33.7%	49.8%	47.7%	42.2%	41.8%	15.4%	50.0%	50.0%	60.0%	45.1%	45.0%	45.0%
Special dividend - part of new capital program announced on Sep 2013	0	0	0	0	0	6,000	0	0	0	6,000	0	0
Units outstanding (million)												
Total units outstanding	3,800	3,800	3,793	3,790	3,782	3,775	3,775	3,775	3,775	3,775	3,775	3,775
Average units outstanding	3,800	3,800	3,798	3,791	3,786	3,778	3,775	3,775	3,775	3,776	3,775	3,775

Source: Citi Research and Company Reports.

Figure 46. BTG Pactual Model – Summary ratios

			2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Summary ratios	Millions of R\$, except where indicated													
Net income			1,362.6	1,127.2	1,921.6	3,253.0	2,775.8	832.0	871.7	916.6	974.3	3,594.6	4,313.5	5,176.1
Net income growth			n/a	(17.3%)	70.5%	69.3%	(14.7%)	8.3%	4.8%	5.2%	6.3%	29.5%	20.0%	20.0%
Average units outstanding (million)			650.8	650.8	800.0	859.5	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0
EPU (R\$)			2.09	1.73	2.40	3.78	3.07	0.92	0.96	1.01	1.08	3.97	4.77	5.72
EPU growth			n/a	(17.3%)	38.7%	57.6%	(19.0%)	8.3%	4.8%	5.2%	6.3%	29.5%	20.0%	20.0%
Net income, excluding nonrecurring items			1,019.8	1,040.0	1,440.2	3,253.0	2,807.8	832.0	871.7	916.6	974.3	3,594.6	4,313.5	5,176.1
Net income growth, excluding nonrecurring items			n/a	2.0%	38.5%	125.9%	(13.7%)	4.0%	4.8%	5.2%	6.3%	28.0%	20.0%	20.0%
Average units outstanding (million)			650.8	650.8	800.0	859.5	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0
EPU, excluding nonrecurring items (R\$)			1.57	1.60	1.80	3.78	3.10	0.92	0.96	1.01	1.08	3.97	4.77	5.72
EPU growth, excluding nonrecurring items			n/a	2.0%	12.7%	110.2%	(18.0%)	4.0%	4.8%	5.2%	6.3%	28.0%	20.0%	20.0%
Book value			5,137.0	7,346.3	8,540.2	14,145.0	16,091.0	16,908.0	17,353.8	18,270.4	18,771.9	18,771.9	22,007.1	25,889.1
Book value growth			23.0%	43.0%	16.3%	65.6%	13.8%	5.1%	2.6%	5.3%	2.7%	16.7%	17.2%	17.6%
Units outstanding (million)			650.8	800.0	800.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0
Book value per unit			7.89	9.18	10.68	15.63	17.78	18.68	19.18	20.19	20.74	20.74	24.32	28.61
Book value per unit growth			n/a	16.3%	16.3%	46.4%	13.8%	5.1%	2.6%	5.3%	2.7%	16.7%	17.2%	17.6%
Capital														
Average equity / average total assets (%)			n/a	8.1	7.4	8.6	8.6	8.8	8.7	8.8	8.7	8.8	8.6	8.4
BIS ratio (%) *			20.6	21.6	17.7	17.3	17.8	17.1						
Tier I ratio (%) *			20.6	21.6	11.0	11.2	12.3	12.5						
Tier II ratio (%) *			0.0	0.0	6.7	6.1	5.5	4.6						
Liquidity														
Liquid assets / assets (%)			37.7	32.0	20.6	16.3	17.2	19.8	20.1	20.0	19.6	19.6	19.7	20.1
Deposits / assets (%)			10.9	10.3	12.6	9.7	9.5	9.3	9.2	9.2	9.2	9.2	9.2	9.3
Total funding excluding deposits / assets (%)			37.9	50.2	51.5	60.3	55.5	51.7	52.1	52.1	52.3	52.3	52.4	52.4
(Liquid assets + marketable securities) / (deposits + open market funding)			172.8	140.0	130.2	129.3	126.5	131.3	131.6	131.5	130.7	130.7	130.9	131.2
Profitability and efficiency														
Return on assets, as reported (%)			n/a	1.5	1.8	2.5	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Return on assets, excluding nonrecurring items (%)			n/a	1.4	1.3	2.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Return on equity, as reported (%) **			29.3	24.0	24.2	28.7	18.1	20.2	20.4	20.6	21.0	20.3	21.2	21.6
Return on equity, excluding nonrecurring items (%) **			22.7	22.3	18.7	28.7	18.6	20.2	20.4	20.6	21.0	20.6	21.2	21.6
Efficiency ratio (%)			45.1	37.8	41.8	40.4	42.4	37.9	41.9	41.4	43.0	41.2	41.0	40.1
Dividend payout ratio (% of current year net income)			91.8	99.8	52.7	25.0	25.0	0.0	25.0	0.0	25.0	25.0	25.0	25.0
ROE/ROA Dupont decomposition analysis														
ROE, excluding nonrecurring items (%)			22.7	22.3	18.7	28.7	18.6	20.2	20.4	20.6	21.0	20.6	21.2	21.6
x Average equity / average total assets (%)			n/a	8.1	7.4	8.6	8.6	8.8	8.7	8.8	8.7	8.8	8.6	8.4
= ROA, excluding nonrecurring items (%)			n/a	1.4	1.3	2.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
ROA decomposition (all items as % of average total assets):														
Total net revenues (%)			n/a	3.2	3.0	5.2	3.6	3.7	3.8	3.8	4.0	3.9	3.8	3.8
- Salaries, benefits and bonus expenses (%)			n/a	0.6	0.7	1.1	0.9	0.8	1.0	1.0	1.1	1.0	1.0	1.0
- Other expenses (%)			n/a	0.6	0.5	1.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
- Income tax expense (%)			n/a	0.6	0.4	0.6	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
= ROA, excluding nonrecurring items (%)			n/a	1.4	1.3	2.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8

* BIS ratio, Tier I ratio and Tier II ratio for Banco BTG Pactual

** In 2010, excludes capital increase of R\$3.0 billion made in December 2010.

Source: Company Reports and Citi Research.



Figure 47. BTG Pactual Model – Income Statement

	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Combined income statement (managerial)												
Millions of R\$												
Revenues, net of direct expenses allocation												
Investment banking	216	358	377	448	460	70	92	99	107	368	442	530
Corporate lending	63	251	366	564	766	197	201	211	226	835	961	1,105
Sales and trading	561	659	1,012	1,518	1,729	874	558	571	592	2,594	2,918	3,502
Asset management	461	375	507	1,191	1,172	350	337	342	436	1,465	1,758	2,110
Wealth management	50	107	150	202	386	93	99	103	110	405	487	584
PanAmericano	0	0	(52)	(245)	(124)	(27)	(13)	(13)	(13)	(65)	0	0
Principal Investments	891	484	182	2,336	620	(115)	330	360	375	950	1,280	1,497
Interest and other	91	191	659	802	904	264	271	281	303	1,119	1,286	1,477
Total revenue, net of direct expenses allocation	2,332	2,425	3,201	6,816	5,915	1,706	1,875	1,956	2,135	7,672	9,131	10,804
Expenses												
Salaries and benefits	194	192	236	325	494	159	167	170	173	669	787	904
Bonus	467	257	521	1,170	947	225	314	330	419	1,288	1,563	1,884
Retention expenses	13	66	40	6	0	0	0	0	0	0	0	0
Administrative expenses	267	259	327	540	648	178	181	183	190	732	805	886
Goodwill amortization	0	8	31	467	192	46	48	48	48	189	190	190
Tax expenses	111	134	181	243	224	39	76	79	87	282	394	470
Total operating expenses	1,051	917	1,337	2,751	2,506	647	786	810	917	3,160	3,739	4,334
Earnings before taxes	1,281	1,508	1,864	4,065	3,408	1,059	1,090	1,146	1,218	4,512	5,392	6,470
Income taxes	261	468	424	812	601	227	218	229	244	918	1,078	1,294
Recurring net income	1,020	1,040	1,440	3,253	2,808	832	872	917	974	3,595	4,314	5,176
Non-recurring items ***	343	87	481	0	(32)	0	0	0	0	0	0	0
Reported net income	1,363	1,127	1,922	3,253	2,776	832	872	917	974	3,595	4,314	5,176

*** In 2009, R\$336.9 million (after-tax) related to the reversal of retention expenses and R\$5.9 million (after-tax) related to the sale of CETIP's shares. In 2010, R\$87.2 million related to a tax credit on BTG Investment. In 2011, R\$ 481.4 million related to Copacabana Prince tax credit. In 2013, R\$32 million (after-tax) non-recurring expenses related to the adherence to the REFIS program.

Source: Company Reports and Citi Research.

Figure 48. BTG Pactual Model – Balance Sheet

		2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Combined balance sheet		Millions of R\$											
ASSETS													
Cash and cash equivalents	95	1,725	545	609	1,163	709	802	833	1,026	1,026	1,332	1,564	
Short-term interbank investments	18,832	31,296	22,579	23,980	29,565	37,760	39,294	40,589	41,435	41,435	49,721	61,022	
Marketable securities	21,443	51,413	59,036	90,050	76,095	71,862	74,389	76,992	81,108	81,108	97,490	116,029	
Derivative financial instruments	1,103	2,096	3,000	8,390	11,798	20,244	19,608	20,294	21,309	21,309	25,571	30,685	
Interbank transactions	26	134	877	475	240	401	404	419	440	440	527	633	
Loans	3,245	4,050	5,041	7,990	16,083	14,561	15,176	16,087	17,309	17,309	19,906	22,892	
Other receivables	5,386	11,896	19,977	15,185	37,223	41,716	43,199	44,681	46,566	46,566	55,940	67,279	
Other assets	2	43	27	36	99	65	70	80	90	90	100	115	
Permanent assets	127	403	1,405	4,068	6,883	6,621	6,821	7,055	7,353	7,353	8,833	10,623	
Total assets	50,259	103,056	112,489	150,783	179,149	193,939	199,763	207,030	216,636	216,636	259,420	310,841	
Liabilities													
Deposits	5,468	10,574	14,138	14,606	16,937	18,058	18,383	19,026	19,977	19,977	23,973	28,767	
Open market funding	17,897	49,730	48,977	74,045	67,538	65,950	68,629	71,031	74,582	74,582	89,499	107,398	
Funds from securities issued & Repos	401	1,306	3,775	8,480	17,802	18,922	19,608	20,294	21,309	21,309	25,571	30,685	
Loans and onlendings	738	723	1,027	2,191	7,350	8,619	8,824	9,133	9,589	9,589	11,507	13,808	
Subordinated liabilities	0	0	4,158	6,246	6,749	6,858	7,108	7,357	7,725	7,725	9,270	11,123	
Total funding	24,504	62,332	72,075	105,568	116,376	118,407	122,551	126,841	133,183	133,183	159,819	191,783	
Interbank transactions	0	0	0	0	3	7	9	9	10	10	12	14	
Derivative financial instruments	1,076	2,220	3,182	8,629	12,307	19,465	19,608	20,294	21,309	21,309	25,571	30,685	
Other liabilities	19,533	31,134	28,448	22,241	33,870	38,707	39,789	41,153	42,890	42,890	51,524	61,968	
Unearned income	8	24	32	112	152	113	120	130	140	140	155	170	
Non-controlling interest	0	0	212	88	350	332	332	332	332	332	332	332	
Total liabilities	45,122	95,710	103,948	136,638	163,058	177,031	182,409	188,759	197,864	197,864	237,413	284,952	
Shareholders' equity	5,137	7,346	8,540	14,145	16,091	16,908	17,354	18,270	18,772	18,772	22,007	25,889	
Total liabilities and equity	50,259	103,056	112,489	150,783	179,149	193,939	199,763	207,030	216,636	216,636	259,420	310,841	

Source: Company Reports and Citi Research.

Figure 49. BTG Pactual Model – Assumptions & Drivers

	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers	Millions of R\$, except where indicated											
Macro economic assumptions												
Real GDP growth	(0.2%)	7.5%	2.8%	0.9%	2.3%					1.3%	1.8%	2.5%
Inflation (IPCA) coefficient	1.043	1.059	1.065	1.058	1.059	1.022	1.017	1.007	1.019	1.066	1.063	1.055
SELIC rate, eop	8.75%	10.75%	11.00%	7.25%	10.00%	10.75%	11.00%	11.00%	11.00%	11.00%	12.50%	11.50%
average	10.35%	9.85%	11.72%	8.80%	8.30%	10.38%	10.88%	11.00%	11.00%	10.75%	11.75%	12.00%
Exchange rate, eop (R\$ per US\$1.00)	1.741	1.670	1.870	2.040	2.340	2.430	2.260	2.300	2.450	2.450	2.600	2.650
average (R\$ per US\$1.00)	1.948	1.737	1.703	1.957	2.173	2.385	2.345	2.280	2.375	2.372	2.525	2.625
Key earnings drivers												
Revenue model (revenues net of direct expense allocation)												
Investment banking												
Total net revenues from investment banking	215.8	358.3	376.7	448.0	460.0	70.0	92.0	99.4	106.6	368.0	441.6	529.9
Quarterly allocation	n/a	n/a	n/a	n/a	n/a	19.0%	25.0%	27.0%	29.0%	n/a	n/a	n/a
Total investment banking net revenues % change	n/a	66.0%	5.1%	18.9%	2.7%	40.0%	31.4%	8.0%	7.3%	(20.0%)	20.0%	20.0%
Corporate lending												
Total net revenues from corporate lending	63.2	251.1	366.4	564.0	766.0	197.0	201.1	211.2	225.6	835.0	960.5	1,104.6
Broader credit book balance (eop)	3,298.3	8,581.0	21,065.0	33,771.0	39,643.0	39,439.0	41,016.6	43,477.6	46,781.8	46,781.8	53,799.1	61,869.0
% change in broader credit book balance	n/a	160.2%	145.5%	60.3%	17.4%	(0.5%)	4.0%	6.0%	7.6%	18.0%	15.0%	15.0%
Average net yield on average broader credit book	n/a	4.2%	2.5%	2.1%	2.1%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%
Total corporate lending net revenues % change	n/a	297.3%	45.9%	53.9%	35.8%	5.3%	2.1%	5.0%	6.8%	9.0%	15.0%	15.0%
Broader credit book balance / shareholders' equity	0.6x	1.2x	2.5x	2.4x	2.5x	2.3x	2.4x	2.4x	2.5x	2.5x	2.4x	2.4x
Sales and trading												
Total net revenues from sales and trading	560.8	658.6	1,012.2	1,518.0	1,729.4	874.0	557.7	570.7	591.7	2,594.1	2,918.4	3,502.0
Quarterly allocation	n/a	n/a	n/a	n/a	n/a	33.7%	21.5%	22.0%	22.8%	n/a	n/a	n/a
Total sales and trading net revenues % change	n/a	17.4%	53.7%	50.0%	13.9%	157.8%	(36.2%)	2.3%	3.7%	50.0%	12.5%	20.0%
Asset management												
Total net revenues from asset management	460.8	374.5	507.1	1,191.0	1,172.4	350.0	337.3	342.4	435.7	1,465.4	1,758.1	2,109.8
Assets under management (eop)	84.3	118.2	120.1	170.7	189.5	188.5	197.0	205.8	218.2	218.2	261.8	314.2
% change in assets under management	n/a	40.2%	1.6%	42.1%	11.0%	(0.5%)	4.5%	4.5%	6.0%	15.1%	20.0%	20.0%
Average return on assets under management	n/a	0.37%	0.43%	0.82%	0.65%	0.74%	0.70%	0.68%	0.82%	0.72%	0.73%	0.73%
Total asset management net revenues % change	n/a	(18.7%)	35.4%	134.9%	(1.6%)	(27.1%)	4.5%	4.5%	6.0%	25.0%	20.0%	20.0%
Wealth management												
Total net revenues from wealth management	49.7	106.9	149.7	202.0	386.0	93.0	99.1	103.3	109.9	405.4	486.6	584.0
Assets under management (eop)	24.9	31.2	38.9	62.2	67.6	68.2	70.9	74.1	77.8	77.8	93.3	112.0
% change in AuM	n/a	25.3%	24.7%	59.9%	8.7%	0.9%	4.0%	4.5%	4.9%	15.0%	20.0%	20.0%
Average return on assets under management	n/a	0.38%	0.43%	0.40%	0.59%	0.55%	0.57%	0.57%	0.58%	0.56%	0.57%	0.57%
Total wealth management net revenues % change	n/a	115.1%	40.0%	34.9%	91.1%	3.3%	4.0%	4.5%	4.9%	5.0%	20.0%	20.0%
Principal investments												
Total net revenues from principal investments	891.0	484.0	181.6	2,336.0	620.4	(115.0)	330.0	360.0	375.0	950.0	1,280.3	1,496.5
Quarterly allocation	n/a	n/a	n/a	n/a	n/a	(12.1%)	34.7%	37.9%	39.5%	n/a	n/a	n/a
Total principal investments net revenues % change	n/a	(45.7%)	(62.5%)	1,186.3%	(73.4%)	(124.3%)	(387.0%)	9.1%	4.2%	53.1%	34.8%	16.9%
Principal investments - revenue by subsegment												
Global markets	830.9	493.0	48.0	1,859.0	718.0	84.0	245.0	275.0	290.0	894.0	1,072.8	1,241.5
Merchant banking	69.9	7.5	213.3	233.0	255.0	(35.0)	15.0	15.0	15.0	10.0	142.5	175.0
Real estate	(9.8)	(16.5)	(79.7)	245.0	(353.0)	(163.0)	70.0	70.0	70.0	47.0	65.0	80.0
Total	891.0	484.0	181.6	2,337.0	620.0	(114.0)	330.0	360.0	375.0	951.0	1,280.3	1,496.5
% change in global markets net revenues	n/a	(40.7%)	(90.3%)	3,772.9%	(61.4%)	(80.9%)	191.7%	12.2%	5.5%	24.5%	20.0%	15.7%
Global markets net revenues as % of average shareholders' equity	n/a	7.9%	0.6%	13.1%	4.5%	2.0%	5.7%	6.2%	6.3%	5.1%	5.3%	5.2%
Interest and others												
Interest and other	91.1	191.4	659.4	802.0	904.4	264.0	270.5	281.3	302.8	1,118.6	1,285.6	1,477.4
Shareholders' equity	5,137.0	7,346.3	8,540.2	14,145.0	16,091.0	16,908.0	17,353.8	18,270.4	18,771.9	18,771.9	22,007.1	25,889.1
Interest and other / average shareholders' equity	n/a	3.1%	8.3%	7.1%	6.0%	6.4%	6.3%	6.3%	6.5%	6.4%	6.3%	6.2%

Source: Company Reports and Citi Research.

Figure 50. BTG Pactual Model – Assumptions & Drivers (continued)

	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)	Millions of R\$, except where indicated											
Cost model												
Salaries and benefits	194.1	192.2	236.4	325.0	494.4	159.0	166.7	170.0	173.4	669.1	786.6	904.1
Number of employees	824	1,055	1,255	2,195	2,403	2,539	2,564	2,590	2,616	2,616	2,878	3,165
Salaries and benefits / employee	n/a	0.205	0.205	0.188	0.215	0.257	0.260	0.263	0.265	0.267	0.286	0.299
% net change in headcount	n/a	28.0%	19.0%	74.9%	9.5%	5.7%	1.0%	1.0%	1.0%	8.9%	10.0%	10.0%
% net change in salaries and benefits / employee	n/a	n/a	0.0%	(7.9%)	14.1%	14.3%	1.0%	1.0%	1.0%	24.0%	7.4%	4.5%
Bonus	466.5	257.3	521.0	1,170.0	947.4	225.0	314.4	330.3	418.5	1,288.2	1,563.4	1,884.2
Bonus as % of net revenues (ex interest and others) minus salaries and admin expenses	26.2%	14.4%	26.3%	22.7%	24.5%	20.4%	25.0%	25.0%	28.5%	25.0%	25.0%	25.0%
Retention expenses	13.1	65.7	40.3	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative expenses	266.9	259.1	327.2	540.0	648.0	178.0	180.7	183.4	190.2	732.2	805.4	886.0
% change in administrative expenses	n/a	(2.9%)	26.3%	65.0%	20.0%	(12.7%)	1.5%	1.5%	3.7%	13.0%	10.0%	10.0%
Goodwill amortization	0.0	8.4	31.2	467.0	192.0	46.0	47.5	47.5	47.5	190.0	190.0	190.0
Tax expenses	110.6	133.9	181.2	243.0	224.4	39.0	76.5	78.9	87.4	281.8	393.9	469.8
Tax expenses as a % of net revenues (ex interest and others and principal investments)	8.2%	7.7%	7.7%	6.6%	5.1%	2.5%	6.0%	6.0%	6.0%	5.0%	6.0%	6.0%
Other income statement items												
Income taxes	261.4	468.2	423.5	812.0	600.6	227.0	217.9	229.1	243.6	917.6	1,078.4	1,294.0
Effective tax rate (% of earnings before taxes)	20.4%	31.0%	22.7%	20.0%	17.6%	21.4%	20.0%	20.0%	20.0%	20.3%	20.0%	20.0%

Source: Company Reports and Citi Research.

Figure 51. BTG Pactual Model – Assumptions & Drivers (continued)

	2009	2010	2011	2012	2013	Mar-14	Jun-14E	Sep-14E	Dec-14E	2014E	2015E	2016E
Assumptions & drivers (continued)	Millions of R\$, except where indicated											
Balance sheet drivers												
Liabilities												
Total funding	24,504	62,332	72,075	105,568	116,376	118,407	122,551	126,841	133,183	133,183	159,819	191,783
Total funding growth	n/a	154.4%	15.6%	46.5%	10.2%	1.7%	3.5%	3.5%	5.0%	14.4%	20.0%	20.0%
Total funding mix												
Deposits	22.3%	17.0%	19.6%	13.8%	14.6%	15.3%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Open market funding	73.0%	79.8%	68.0%	70.1%	58.0%	55.7%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Funds from securities issued & repos	1.6%	2.1%	5.2%	8.0%	15.3%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Loans and onlendings	3.0%	1.2%	1.4%	2.1%	6.3%	7.3%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Subordinated liabilities	0.0%	0.0%	5.8%	5.9%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Total funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Derivative financial instruments as % of total funding	4.4%	3.6%	4.4%	8.2%	10.6%	16.4%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Other liabilities as % of interbank invsts and mtkable securities	48.5%	37.6%	34.9%	19.5%	32.1%	35.3%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Assets												
Marketable securities as % of total funding	87.5%	82.5%	81.9%	85.3%	65.4%	60.7%	60.7%	60.7%	60.9%	60.9%	61.0%	60.5%
Open market funding as multiple of short-term interbank investments	1.0x	1.6x	2.2x	3.1x	2.3x	1.7x	1.7x	1.8x	1.8x	1.8x	1.8x	1.8x
Derivative financial instruments as multiple of derivative financial liabilities	1.0x	0.9x	0.9x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x
Interbank transactions as % of total deposits	0.5%	1.3%	6.2%	3.3%	1.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Loans % of broader credit portfolio	98.4%	47.2%	23.9%	23.7%	40.6%	36.9%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
Other receivables as % of short-term interbank investments and mtkable sec	13.4%	14.4%	24.5%	13.3%	35.2%	38.1%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Permanent assets as % of short-term interbank investments and mtkable sec	0.3%	0.5%	1.7%	3.6%	6.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Dividends												
Dividends	1,251.4	1,124.9	1,012.4	813.6	694.6	0.0	425.9	0.0	472.7	898.6	1,078.4	1,294.0
As % of net income ****	91.8%	99.8%	52.7%	25.0%	25.0%	0.0%	25.0%	0.0%	25.0%	25.0%	25.0%	25.0%
Units outstanding (millions)												
Ending number of units outstanding	650.8	800.0	800.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0
Average number of units outstanding*****	650.8	650.8	800.0	859.5	905.0	905.0	905.0	905.0	905.0	905.0	905.0	905.0

**** In 2Q12 and 4Q12, dividend payout ratio corresponds to the net income of 1H12 and 2H12, respectively.

***** Average units outstanding calculation for 2010 excludes the units issued in the R\$3.0 billion capital increase made in December 2010

Source: Company Reports and Citi Research.

Itaú Unibanco

Company description

Itaú Unibanco (the product of the merger between Itaú and Unibanco) is Brazil's largest bank measured by market capitalization. With 19% market share (calculated by total assets), Itaú Unibanco is not only a play in Brazil's commercial and retail banking, but also investment banking, asset management, and insurance. With operations in Chile, Argentina and Uruguay, about 5% of Itaú Unibanco's revenues come from outside Brazil, a figure that management would like to grow to about 25% over the next several years, via a combination of rapid organic growth and targeted acquisitions in Latin America

Investment strategy

We rate the shares of Itaú Unibanco Buy (1). We believe that, with its dominant size, the bank is well positioned to benefit from all the positive forces that should drive growth and profitability in the Brazilian banking sector over the long term. Despite a lower loan growth forecast in the short term, we believe credit expansion should prove sustainable (in Brazil in general and Itaú Unibanco in particular), as loan segments that are still predominantly untapped (such as residential mortgages) should gradually begin to kick in, now that the country has achieved investment-grade status, and particularly as variables such as inflation and domestic interest rates finally converge to levels seen in other investment-grade countries. In addition, a long-standing commitment to cost containment and productivity, coupled with tangible opportunities for cost synergies to be derived from the merger, should provide the engine for continued improvements in efficiency, making the bank's ROE sustainable at higher levels than peers.

Valuation

Our 12-month target price for Itaú Unibanco is R\$46.00 per share. It is derived by applying a target P/B multiple of 2.4x to the bank's projected book value per share as of 3/31/2015 (R\$19.26, according to our Itaú Unibanco earnings model). 2.4x is Itaú Unibanco's "fair" P/B ratio according to our triangle of bank valuation model - a valuation framework that, based on a dividend discount model methodology, calculates "fair" P/B multiples for banks as a function of the following key inputs: ROE (both current and sustainable), EPS growth (both over the short-term and sustainable), and cost of equity. We estimate that Itaú Unibanco's 2014 ROE will be 22.0%, and that the bank's sustainable ROE is 22.0%. We forecast that Itaú Unibanco will deliver average annual recurring EPS growth of 16.6% over the next three years, and that the bank's sustainable EPS growth rate is 7.5%(i.e. in line with Brazil's long-term, historical nominal GDP growth rate). We use 13.8% as Itaú Unibanco's cost of equity.

Risks

First, in a scenario of lower than expected growth in Brazil, our assumption of delinquencies (and required loan loss provisions) may prove too optimistic, and loan growth could be lower than forecast, negatively affecting the profitability of the bank. Second, increased competition could negatively affect Itaú Unibanco's profitability, potentially putting downward pressure on spreads, fee-income and/or upward pressure on operating expenses. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and target prices.

Bradesco

Company description

Bradesco is Brazil's second-largest private-sector bank and the third-largest Brazilian financial institution overall in terms of asset size, behind Itaú Unibanco and Banco do Brasil. While large size, world-class systems and technology, and deep down-market distribution and penetration have always been associated with Bradesco, over the last few years, a clear senior management commitment to contain expense growth, improve efficiency, and enhance profitability has also produced one of the most profitable banks in Brazil. Bradesco enjoys one of the most complete and diversified earnings bases within Brazilian financial institutions as about two-thirds of the company's net income is derived from its banking operations, while the remaining third is contributed by its insurance subsidiary.

Investment strategy

We rate the shares of Bradesco Neutral (2). We believe that, with its large 15% market share in terms of assets (according to BACEN), the bank is well positioned to benefit from all the positive forces that should drive growth and profitability in the Brazilian banking sector over the long term. Despite a lower loan growth forecast in the short term, we believe credit expansion should prove sustainable (in Brazil in general and Bradesco in particular), as loan segments that are still predominantly untapped (such as residential mortgages) should gradually begin to kick in, now that the country has finally achieved investment-grade status; additionally, efficiency improvements, loan loss provision (LLP) growing below loan growth and strong fee-based income growth, should support an ROE re-rating. However, on valuation concerns, and based on the fair P/BV calculated by our valuation methodology, we rate Bradesco's shares Neutral (2).

Valuation

Our 12-month target price for Bradesco is R\$35.50 per share. It is derived by applying a target P/B multiple of 1.8x to the bank's projected book value per share as of 3/31/2015 (R\$20.01, according to our Bradesco earnings model). 1.8x is Bradesco's "fair" P/B ratio according to our triangle of bank valuation model — a valuation framework that, based on a dividend discount model methodology, calculates "fair" P/B multiples for banks as a function of the following key inputs: ROE (both current and sustainable), EPS growth (both in the short-term and sustainable), and cost of equity. We currently forecast that Bradesco's 2014 recurring ROE will be 18.8%, and that the bank's sustainable ROE is 19.0%. Furthermore, we estimate that Bradesco will deliver average annual recurring EPS growth of 15.7% over the next three years, and that the bank's sustainable EPS growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). We use 13.8% as Bradesco's cost of equity.

Risks

First, in a scenario of lower than expected growth in Brazil, our assumption of delinquencies (and required loan loss provisions) may prove too optimistic, and loan growth could be lower than forecast. Second, increased competition could negatively affect Bradesco's profitability, potentially putting downward pressure on spreads, fee-income and/or upward pressure on operating expenses. Third, inflation concerns have increased and that could translate into future hikes by the Central Bank, which in turn could mean lower future credit growth. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and target prices.

In terms of upside risks, if the Brazilian economy grows above our current expectations in 2014-2016, our estimates for Bradesco's loan growth may prove too conservative and they could miss a rebound in net interest income, making our net income estimates too conservative. Additionally, if the bank's asset quality improves even more than our current expectations, our loan loss provision (LLPs) expense may be too high and therefore, the bank's earnings may exceed our forecasts.

Banco do Brasil

Company description

Banco do Brasil is the largest bank in Brazil (and Latin America) measured by total assets, with about 21% market share (of assets) in Brazil (according to the Central Bank of Brazil). Since its inception, Banco do Brasil's mission as a Federal government-controlled bank has been to support and finance the development of Brazil's agricultural sector. As a result, the bank has a dominant share of all rural lending done in the country, and agribusiness still represents a significant portion of its loan portfolio. However, Banco do Brasil has continued to grow its non traditional segments at a rapid pace, particularly loans to individuals, which have surpassed the loans to agribusiness. Banco do Brasil has been listed in the BOVESPA since 1906, and in its Novo Mercado section since 2006.

Investment strategy

We rate the shares of Banco do Brasil Neutral (2), mainly on valuation concerns. Even though we believe that as a leading bank in the Brazilian banking industry, Banco do Brasil is very well positioned to benefit from all the positive forces that will likely continue to drive growth and profitability in the Brazilian banking sector over the long term, we believe that current valuation looks demanding.

Valuation

Our 12-month price target for Banco do Brasil is R\$24.00. It is derived by applying a target P/B multiple of 0.9x to the bank's projected book value per share as of 3/31/2015 (R\$27.66, according to our Banco do Brasil earnings model). 0.9x is Banco do Brasil's "fair" P/B ratio according to our triangle of bank valuation model – a valuation framework that, based on a dividend discount model methodology, calculates "fair" P/B multiples for banks as a function of the following key inputs: ROE (both current and sustainable), EPS growth (both over the next few years and sustainable), and cost of equity. We estimate that Banco do Brasil's 2014 ROE will be 14.3%, and that the bank's sustainable ROE is 15.0%. We forecast that Banco do Brasil will deliver average annual recurring EPS growth of 10.1% over the next three years, and that the bank's sustainable EPS growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). We use 15.3% as Banco do Brasil's cost of equity.

Risks

In terms of upside risks, first, if the Brazilian economy grows above our current expectations in 2014-2016, our estimates for Banco do Brasil's income estimates may be too low or our estimates for loan loss provisions may be too high. Second, if the bank manages to control its operating expense (OpEx) growth, our OpEx estimates may be too high and the bank's earnings estimates may exceed our forecasts.

In term of downside risks, first, in a scenario of lower than expected growth in Brazil, our assumption of delinquencies (and required loan loss provisions) may prove too optimistic, and loan growth could be lower than forecast. Second, increased competition could negatively affect Banco do Brasil's profitability, potentially putting downward pressure on spreads, fee-income and/or upward pressure on operating expenses. Third, the government could pressure Banco do Brasil to increase its lending efforts as a way to stimulate economic activity in Brazil at a time that a moderate credit growth may be the prudent approach. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and target prices.

Santander Brasil

Company description

Santander Brasil is a leading full service bank in Brazil, with a large presence in the South and Southeast regions of the country. With about 10% market share in terms of assets (according to BACEN), it is the third-largest private-sector bank and largest foreign-owned bank in the country, controlled by Grupo Santander SA of Spain. Following the acquisition of ABN AMRO Real, the bank cemented its place within the list of top five banks in Brazil and positioned itself as a key contender in the industry. The bank became publicly traded in October 6, 2009 in an IPO that raised over R\$13 billion (including the greenshoe, in November 2009), through the issuance of approximately 560 million units (each unit represents 55 common shares and 50 preferred shares).

Investment strategy

We rate Santander Brasil Neutral (2), mainly on valuation concerns. Even though we believe that as a leading bank in the Brazilian banking industry, Santander Brasil is well positioned to benefit from all the positive forces that should drive growth and profitability in the Brazilian banking sector over the long term, we believe current valuation looks demanding. We believe credit expansion should prove sustainable in Brazil in general, and at Santander Brasil in particular, given its excess capital levels, as loan segments that are still predominantly untapped (such as residential mortgages) should gradually begin to kick in, now that the country has achieved investment-grade status, and particularly as variables such as inflation and domestic interest rates finally converge to levels seen in other investment-grade countries.

Valuation

Our 12-month price target for Santander Brasil is R\$15.40. It is derived by applying a target price-to-tangible book value multiple of 0.85x to the bank's projected tangible book value per unit as of 3/31/2015 (R\$13.77, according to our Santander Brasil earnings model), and then adding a 31.6% takeout premium based on the recently announced buyout of Santander Brasil's float by the parent company. 0.85x is Santander Brasil's "fair" price-to-tangible book value ratio according to our triangle of bank valuation model – a valuation framework that, based on a dividend discount model methodology, calculates "fair" price-to-tangible book value multiples for banks as a function of the following key inputs: ROTE (both current and sustainable), EPU growth (both over the next few years and sustainable), and cost of equity. We estimate that Santander Brasil's 2014 recurring ROTE will be 10.0%, and that the bank's sustainable ROTE is 15.0%. We forecast that Santander Brasil will deliver average annual recurring EPU growth of 14.5% over the next three years, and that the bank's sustainable EPU growth rate is 7.5% (i.e., in line with Brazil's long-term, historical nominal GDP growth rate). We use 13.8% as Santander Brasil's cost of equity.

Risks

On the upside, first, if Santander Brasil is able to lever its integration with ABN AMRO Real, it could reap even higher cost and revenue synergies, as well as refocus management attention to gaining market share. Second, credit could expand faster than we forecast if Brazil's economy performs better than expected, and consequently, top-line income could exceed our forecast. If any of these factors improves more than we anticipate, the stock could exceed our target price.

On the downside, first, in a scenario of lower than expected growth in Brazil, our assumption of delinquencies (and required loan loss provisions) may prove too optimistic; additionally, loan growth could be lower than forecast. Second, increased competition could negatively affect Santander Brasil's profitability, potentially putting downward pressure on spreads, fee-income and/or upward pressure on operating expenses. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and target prices.

BTG Pactual

Company description

BTG Pactual is an investment bank, asset manager and wealth manager with a leading franchise in Brazil, and international presence in four continents. BTG Pactual clients include corporations, institutional investors, government and high net worth individuals. BTG Pactual was formed in Rio de Janeiro, Brazil in 1983 as a brokerage house which progressively added investment banking, asset management and other services until its current form. In 2011, it acquired Panamericano to expand its platform into retail banking in Brazil and strengthen its presence in the middle-market segment. Additionally, in 2012, the company acquired Celfin (a leading broker dealer in Chile with operations also in Peru and Colombia), to continue its expansion in Latin America. In April 2012, BTG Pactual became a publicly traded company (listed on the São Paulo Stock Exchange and at the Alternext Exchange in Amsterdam) after completing an IPO which raised approximately US\$1.4 billion.

Investment strategy

We rate units of BTG Pactual Buy (1). We believe BTG Pactual's leading franchise in Brazil as an investment bank, asset manager and wealth manager, will allow it to capitalize on Brazil's future strong growth opportunities. In addition, BTG Pactual should benefit not only from the continued development of its current business lines in Brazil, but also from exporting its know-how and expertise to the rest of the region, and opportunistically adding additional business lines. Furthermore, BTG Pactual has a strong senior management team, whose track record in building the business over the last few years speaks for itself. Indeed, under the leadership of Andre Esteves, the book value of the old Pactual has increased 14x since December 31, 2005, and the company's ROE has averaged 45% over the seven-year period that ended on December 31, 2011. We believe that the partnership model (which was maintained after the IPO) has a lot to do with these impressive results, as it fosters a strong alignment of interests between management and shareholders, a culture of meritocracy and entrepreneurship, and encourages top-performance while avoiding excessive risk taking. For all these reasons and based on the "fair" P/B ratio that our triangle of bank valuation model calculates, we rate BTG Pactual as Buy.

Valuation

Our 12-month price target for BTG Pactual is R\$40.00 per unit. It is derived by applying a target P/B multiple of 1.8x to the bank's projected book value per unit as of 3/31/2015 (R\$21.93, according to our BTG Pactual earnings model). 1.8x is BTG Pactual's "fair" P/B ratio according to our triangle of bank valuation model – a valuation framework that, based on a dividend discount model methodology, calculates "fair" P/B multiples for banks as a function of the following key inputs: ROE (both current and sustainable), EPU growth (both over the next few years and sustainable) and cost of equity. We estimate that BTG Pactual's 2014 recurring ROE will be 20.6%, and that the bank's sustainable ROE is 21.0%. We forecast that BTG Pactual will deliver average annual recurring EPU growth of 22.6% over the next three years, and that the bank's sustainable EPU growth rate is 7.5% (i.e. in line with Brazil's long term, historical nominal GDP growth rate). We use 15.8% as BTG Pactual's cost of equity.

Risks

In terms of downside risks to our earnings estimates (and prices target), first we highlight that BTG Pactual may incur losses from its trading and investment activities due to market fluctuations and volatility, as it is part of its business model to maintain large trading and investment positions. Second, investment banking revenues may decline in adverse market conditions as the number and size of potential deals is reduced. Third, wealth management and asset management revenues could decline in market downturns, as performance fees can decrease if investment returns are low and assets under management can decline affected by lower market valuations. Fourth, quarterly earnings volatility may induce investors to demand a higher discount, particularly in times when risk-aversion increases, which would negatively impact BTG Pactual's market valuation. Fifth, the several expansion strategies (Celfin, Panamericano) entail execution risks, as unforeseen factors could result in losses, culture clash, or distract BTG Pactual's management attention. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and target prices.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Banco do Brasil (BBAS3.SA)

Ratings and Target Price History Fundamental Research

Analyst: Daniel A. Abut



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	8-Oct-11	*1	38.00	23.00
3	24-Oct-11	1	*35.00	24.88

* Indicates change

	Date	Rating	Target Price	Closing Price
4	4-Jun-12	1	*27.00	19.28
5	19-Sep-12	1	*30.50	26.45
6	6-Dec-12	1	*25.00	22.36

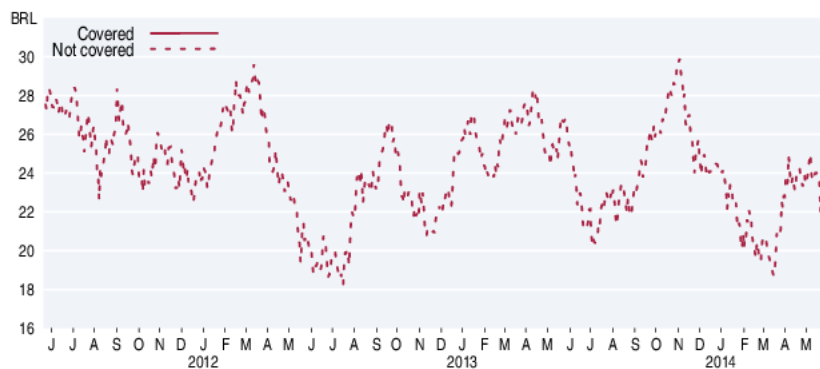
	Date	Rating	Target Price	Closing Price
7	8-Oct-13	*2	*28.00	26.03
8	20-Dec-13	2	*25.60	24.50
9	5-Mar-14	2	*21.00	20.70

Rating/target price changes above reflect Eastern Standard Time

Banco do Brasil (BBAS3.SA)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Daniel A. Abut



* Indicates change

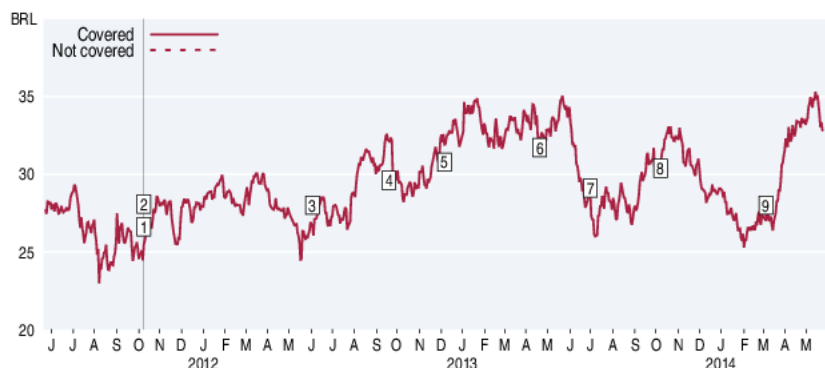
Rating/target price changes above reflect Eastern Standard Time

Bradesco (BBDC4.SA)

Ratings and Target Price History

Fundamental Research

Analyst: Daniel A. Abut



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	8-Oct-11	*1	36.36	24.45
3	4-Jun-12	1	*32.73	26.57

* Indicates change

	Date	Rating	Target Price	Closing Price
4	19-Sep-12	1	*36.82	32.18
5	6-Dec-12	1	*38.64	31.92
6	19-Apr-13	1	*38.00	32.30

	Date	Rating	Target Price	Closing Price
7	1-Jul-13	1	*34.50	28.80
8	8-Oct-13	1	*37.50	30.71
9	5-Mar-14	1	*33.00	27.00

Rating/target price changes above reflect Eastern Standard Time

Bradesco (BBDC4.SA)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Daniel A. Abut



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

BTG Pactual (BBTG11.SA)

Ratings and Target Price History

Fundamental Research

Analyst: Daniel A. Abut

Covered since June 5 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	4-Jun-12	*1	*39.00	25.60

* Indicates change

	Date	Rating	Target Price	Closing Price
3	28-Sep-12	1	*43.00	32.30
4	6-Sep-13	1	*40.00	29.50

	Date	Rating	Target Price	Closing Price
5	5-Mar-14	1	*35.00	27.40

Rating/target price changes above reflect Eastern Standard Time

BTG Pactual (BBTG11.SA)

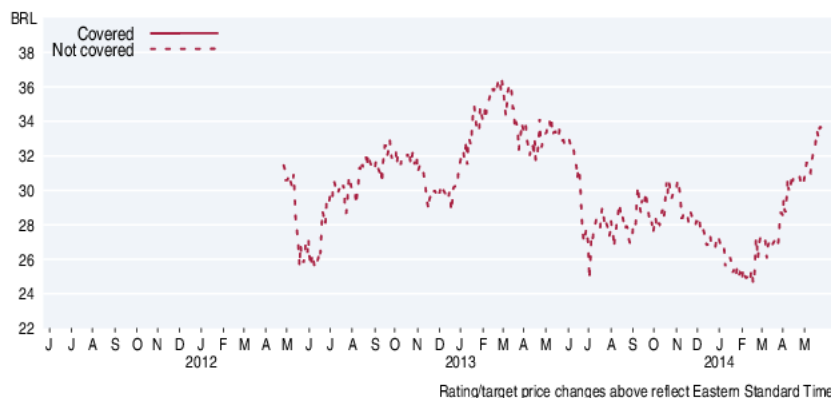
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Daniel A. Abut

Covered since June 5 2012

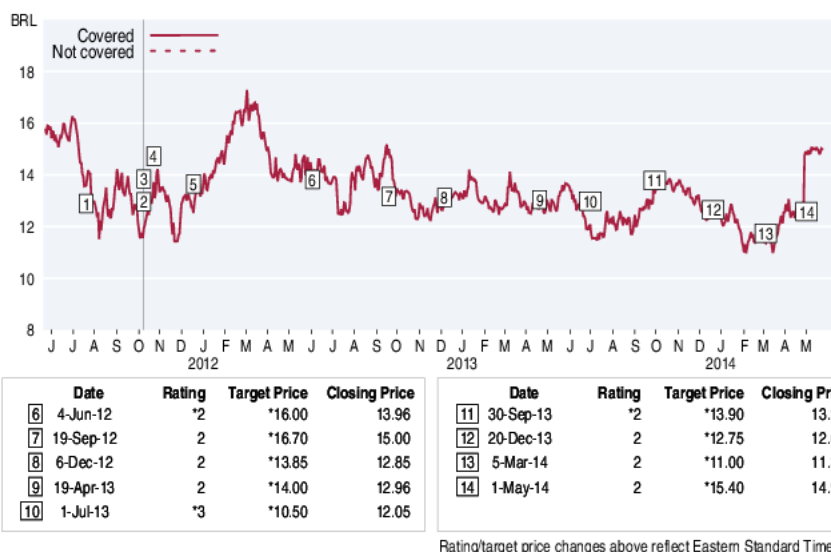


Santander Brasil (SANB11.SA)

Ratings and Target Price History

Fundamental Research

Analyst: Daniel A. Abut



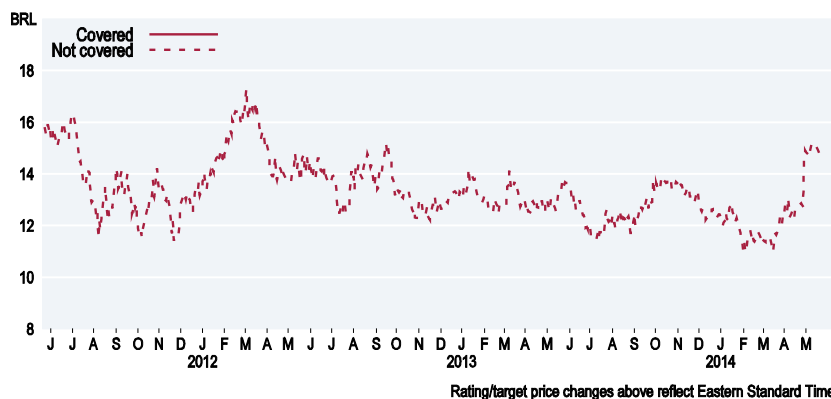
Santander Brasil (SANB11.SA)

Ratings and Target Price History

Best Ideas Research

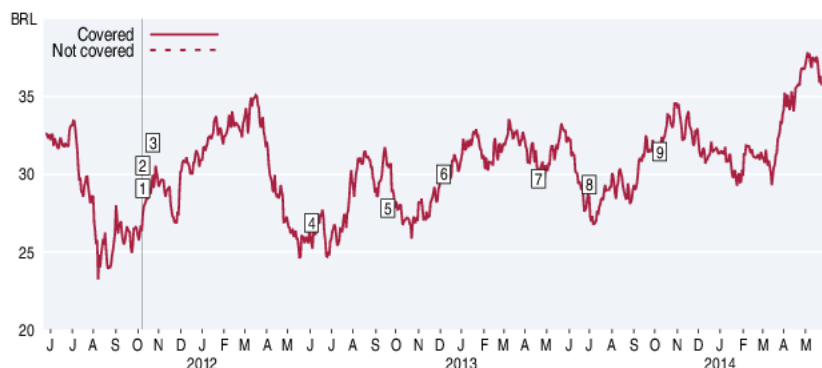
Relative Call (3 Month)

Analyst: Daniel A. Abut



Itaú Unibanco (ITUB4.SA) **Ratings and Target Price History** **Fundamental Research**

Analyst: Daniel A. Abut



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	8-Oct-11	*1	47.27	26.35
3	24-Oct-11	1	*45.45	29.95

* Indicates change

	Date	Rating	Target Price	Closing Price
4	4-Jun-12	1	*35.45	25.59
5	19-Sep-12	1	*39.09	30.64
6	6-Dec-12	1	*39.77	29.73

	Date	Rating	Target Price	Closing Price
7	19-Apr-13	1	*41.36	30.37
8	1-Jul-13	1	*36.50	28.50
9	8-Oct-13	1	*40.00	31.50

Rating/target price changes above reflect Eastern Standard Time

Itaú Unibanco (ITUB4.SA) **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: Daniel A. Abut



	Date	Rating	Target Price	Closing Price
1	7-Oct-13	*REM MP	-	31.61

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Banco do Brasil SA

Citigroup Holdings or its affiliates beneficially owned 1% or more of any class of common equity securities of Compartamos SAB de CV at the end of at least one of the last three months.

Citigroup Holdings or its affiliates beneficially owned 1% or more of any class of common equity securities of Grupo Financiero Banorte SAB de CV at the end of at least one of the last three months.

Due to Citigroup Global Market Inc.'s involvement in connection with the announced public tender offer by Itaú Unibanco Holding S.A. ('Itaú') to acquire the outstanding ordinary shares of Redecard not held by Itaú or its affiliates, Citi Research restricted publication of new research reports, and suspended its rating and target price for Itaú on February 29, 2012 (the 'Suspension Date'). Please note that Itaú's price chart available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension date and June 4, 2012 when Citi Research resumed full coverage.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Gentera, Banorte. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Inbursa, BBVA Francés, Gentera, Credicorp, Santander Brasil, Intercorp, Santander México, Banorte.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Inbursa, Banco do Brasil, BBVA Francés, Gentera, BCI, Credicorp, Bradesco, BTG Pactual, Santander Brasil, Intercorp, Santander Chile, Santander México, Banorte, Corpbanca, Itaú Unibanco.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Inbursa, Banco do Brasil, Credicorp, Santander Brasil, Santander Chile, Santander México.

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