



Banco Votorantim S.A.

Financial statements
December 31, 2004 and 2003

(A translation of the original report in Portuguese on financial statements prepared in accordance with accounting practices adopted in Brazil)

Banco Votorantim S.A.

Financial statements

December 31, 2004 and 2003

Contents

Independent auditors' report	3
Balance sheets	4 - 5
Statements of income	6
Statements of changes in shareholders' equity	7
Statements of changes in financial position	8
Notes to the financial statements	9 - 44



KPMG Auditores Independentes
R. Dr. Renato Paes de Barros, 33
04530-904 - São Paulo, SP - Brasil
Caixa Postal / P.O.Box 2467
01060-970 - São Paulo, SP - Brasil

Central Tel	55 (11) 3067-3000
Fax National	55 (11) 3079-3752
International	55 (11) 3079-2916
Internet	www.kpmg.com.br

Independent auditors' report

To
The Directors and Shareholders
Banco Votorantim S.A.
São Paulo - SP

We have examined the balance sheets of Banco Votorantim S.A. and the consolidated balance sheets of the Bank and its subsidiaries as of December 31, 2004 and 2003 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards applied in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Banco Votorantim S.A. and the consolidated financial position of the Bank and its subsidiaries as of December 31, 2004 and 2003, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

February 15, 2005

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original signed in Portuguese by
Giuseppe Masi
Accountant CRC 1SP176273/O-7

Banco Votorantim S.A.

Balance sheets

December 31, 2004 and 2003

(In thousands of Reais)

	Bank		Consolidated			Bank		Consolidated	
	2004	2003	2004	2003		2004	2003	2004	2003
Assets					Liabilities				
Current assets	30,920,150	20,852,692	30,730,614	22,281,717	Current liabilities	25,703,765	16,155,575	25,298,764	16,032,055
Bank and cash	5,803	3,067	19,750	15,559	Deposits	7,948,181	6,621,153	7,492,558	5,935,144
Interbank funds applied	16,431,927	9,480,745	12,609,379	7,983,493	Demand deposits	44,741	43,367	53,662	49,894
Money market	11,247,478	7,001,428	11,247,478	7,000,528	Interbank deposits	1,949,127	741,520	1,454,147	424,932
Interbank deposits	4,911,271	2,320,993	1,088,723	824,641	Time deposits	5,954,313	5,836,266	5,984,749	5,460,318
Foreign currency deposits	273,178	158,324	273,178	158,324	Money market repurchase commitments	12,402,868	6,652,851	12,186,668	6,970,052
Securities and derivative financial instruments	11,736,178	9,308,889	12,192,550	10,175,090	Own portfolio	2,261,126	1,728,092	2,283,834	2,045,293
Own portfolio	5,078,077	2,718,392	5,538,598	3,576,665	Third party portfolio	10,141,742	4,924,759	9,902,834	4,924,759
Subject to repurchase commitments	2,787,774	2,638,967	2,787,774	2,670,375	Acceptances and endorsements	1,309,909	578,797	1,304,620	578,797
Derivative financial instruments	1,097,384	820,597	1,047,705	760,014	Liabilities from overseas securities	1,309,909	578,797	1,304,620	578,797
Deposited with the Central Bank	1,218,482	1,183,682	1,218,482	1,183,682	Interbranch accounts	8,868	56	8,870	56
Subject to guarantees provided	1,554,461	1,947,251	1,599,991	1,984,354	Third party funds in transit	8,868	56	8,868	56
Interbank accounts	722,334	526,530	722,334	526,530	Internal transfers of funds	-	-	2	-
Payments and receipts to settle	145	224	145	224	Borrowings and repasses	991,330	333,544	991,749	334,256
Deposits with the Central Bank	722,018	525,767	722,018	525,767	Overseas borrowings	515,428	131,018	515,428	131,018
Correspondents	171	539	171	539	Domestic repasses - Official institutions	475,902	202,526	476,321	203,238
Loans	958,855	651,146	3,769,078	2,513,376	Derivative financial instruments	1,453,392	665,550	1,478,725	704,589
Loans - public sector	117	-	117	-	Derivative financial instruments	1,453,392	665,550	1,478,725	704,589
Loans - private sector	361,497	469,503	474,155	577,769	Other liabilities	1,589,217	1,303,624	1,835,574	1,509,161
Financing - private sector	482,310	201,846	3,278,637	2,065,309	Foreign exchange portfolio	891,307	583,753	891,307	583,753
Financing - Rural and Agricultural-Industria	20,181	-	20,181	-	Social and statutory	83,200	218,098	119,783	237,244
Financing - securities	98,447	-	98,447	-	Taxes and social security	528,752	479,882	688,933	608,137
Allowance for loan losses	(3,697)	(20,203)	(102,459)	(129,702)	Due in connection with securities dealings	58,413	7,638	72,897	18,969
Lease operations	-	-	8,540	7,351	Other	27,545	14,253	62,654	61,058
Leases receivable - private sector	-	-	30,239	34,241	Long-term liabilities	7,735,088	6,170,699	7,973,803	6,513,754
Unearned lease income	-	-	(11,087)	(14,386)	Deposits	5,786,406	2,861,016	5,586,482	2,866,528
Allowance for lease losses	-	-	(10,612)	(12,504)	Interbank deposits	833,042	347,841	630,020	347,841
Other receivables	1,056,603	872,764	1,271,310	967,051	Time deposits	4,953,364	2,513,175	4,956,462	2,518,687
Foreign exchange portfolio	922,819	649,480	922,819	649,480	Money market repurchase commitment	798,761	849,118	802,679	849,118
Income receivable	6,971	5,463	5,581	4,482	Own portfolio	798,761	849,118	802,679	849,118
Securities clearing accounts	71,748	143,569	80,575	158,947	Acceptances and endorsements	-	1,473,492	-	1,473,492
Other	55,944	74,785	263,214	154,675	Liabilities from overseas securities	-	1,473,492	-	1,473,492
Provision for doubtful receivable	(879)	(533)	(879)	(533)	Borrowings and repasses	695,988	576,087	696,042	576,411
Other assets	8,450	9,551	137,673	93,267	Overseas borrowings	168,266	139,322	168,266	139,322
Other assets	-	-	12,790	7,682	Domestic repasses - Official institutions	527,722	436,765	527,776	437,089
Prepayments	8,450	9,551	124,883	85,585	Derivative financial instruments	204,092	396,928	577,745	708,537
Long-term assets	4,344,028	2,694,618	5,771,127	2,619,017	Derivative financial instruments	204,092	396,928	577,745	708,537
Interbank funds applied	744,596	1,205,800	110,162	89,274					
Interbank deposits	744,596	1,205,800	110,162	89,274					
Securities and derivative financial instruments	2,121,790	922,508	2,241,615	928,964					
Subject to repurchase commitments	807,186	299,005	807,186	299,005					
Derivative financial instruments	1,314,604	623,503	1,434,429	629,959					

Banco Votorantim S.A.

Balance sheets

December 31, 2004 and 2003

(In thousands of Reais)

	Bank		Consolidated			Bank		Consolidated	
	2004	2003	2004	2003		2004	2003	2004	2003
Assets					Liabilities				
Loans	1,421,480	552,441	3,124,877	1,515,721	Other liabilities	249,841	14,058	310,855	39,668
Loans - public sector	54,371	-	54,371	-	Taxes and social security	-	6,072	60,216	11,900
Loans - private sector	573,453	115,393	596,927	116,620	Due in connection with securities dealings	249,841	7,986	249,841	7,986
Financing - private sector	470,631	438,238	2,177,916	1,423,669	Other	-	-	798	19,782
Financing - Rural and Agricultural-Industria	77,891	-	77,891	-	Deferred income	2,429	1,313	2,429	1,321
Financing - securities	249,827	-	249,827	-	Minority interest	-	-	197,893	191,986
Allowance for loan losses	(4,693)	(1,190)	(32,055)	(24,568)	Shareholders' equity	3,086,093	2,191,968	3,086,093	2,191,968
Lease operations	-	-	7,674	9,727	Capital:				
Leases receivable - private sector	-	-	16,281	31,328	Domestic	1,750,250	1,500,250	1,750,250	1,500,250
Unearned Lease income	-	-	(8,468)	(14,678)	Capital increase	129,750	-	129,750	-
Allowance for lease losses	-	-	(139)	(6,923)	Capital reserves	5,760	4,492	5,760	4,492
Other receivables	55,012	4,249	230,597	32,047	Revenue reserves	1,147,054	633,947	1,147,054	633,947
Securities clearing accounts	48,467	-	48,467	-	Retained earnings	53,279	53,279	53,279	53,279
Other	6,545	4,249	182,130	32,047	Total	36,527,375	24,519,555	36,558,982	24,931,084
Other assets	1,150	9,620	56,202	43,284					
Prepayments	1,150	9,620	56,202	43,284					
Permanent assets	1,263,197	972,245	57,241	30,350					
Investments	1,251,053	960,377	20,316	14,941					
Domestic subsidiaries and affiliates	1,230,004	943,168	-	-					
Investment in overseas subsidiary	8,317	8,069	-	-					
Other investments	12,732	9,140	20,316	14,941					
Property, plant and equipment	10,709	10,846	26,762	14,056					
Other fixed assets for use	25,874	22,906	51,969	26,399					
Operational lease assets	-	-	-	935					
Accumulated depreciation	(15,165)	(12,060)	(25,207)	(13,278)					
Deferred charges	1,435	1,022	10,163	1,353					
Organization and expansion expenses	7,117	5,728	23,002	6,590					
Accumulated amortization	(5,682)	(4,706)	(12,839)	(5,237)					
Total	36,527,375	24,519,555	36,558,982	24,931,084					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Years ended December 31, 2004 and 2003 and second semester of 2004

(In thousands of Reais, except net profit for the period per lot of one thousand shares)

	Bank			Consolidated	
	Years				
	2nd semester	2004	2003	2004	2003
Financial operations income	2,402,665	4,372,963	3,272,950	5,436,091	3,998,276
Loans	110,828	254,072	120,344	1,963,161	1,117,908
Leasing	-	-	-	25,096	47,600
Securities	2,354,379	3,989,672	3,838,546	3,328,260	3,564,845
Derivative financial instruments	(86,360)	(77,561)	(782,615)	(87,206)	(828,752)
Foreign exchange operations	(34,178)	107,221	-	107,221	-
Compulsory investments	57,996	99,559	96,675	99,559	96,675
Financial operations expenses	(1,893,232)	(3,470,788)	(2,382,307)	(3,500,502)	(2,533,456)
Deposits, money market and interbank funds	(1,849,855)	(3,349,743)	(2,357,498)	(3,317,610)	(2,310,880)
Borrowings, assignments and repasses	(42,171)	(133,474)	39,612	(56,426)	38,491
Leasing	-	-	-	(23,302)	(40,643)
Foreign exchange operations	-	-	(44,296)	-	(44,296)
Allowance for loan losses	(1,206)	12,429	(20,125)	(103,164)	(176,128)
Gross income from financial operations	509,433	902,175	890,643	1,935,589	1,464,820
Other operating income/(expenses)	(71,164)	22,034	(96,221)	(783,336)	(596,279)
Service income	17,366	37,373	15,025	84,912	63,421
Personnel expenses	(45,465)	(64,121)	(53,069)	(120,625)	(61,102)
Other administrative expenses	(25,634)	(51,978)	(46,423)	(261,830)	(272,590)
Tax expenses	(28,362)	(59,526)	(67,867)	(114,149)	(100,138)
Equity in earnings of subsidiaries	185,782	296,802	108,941	-	-
Other operating income	2,398	55,692	21,690	36,512	19,791
Other operating expenses	(177,249)	(192,208)	(74,518)	(408,156)	(245,661)
Operating results	438,269	924,209	794,422	1,152,253	868,541
Nonoperating results	39	(30)	(285)	(3,467)	2,507
Income before taxation and profit sharing	438,308	924,179	794,137	1,148,786	871,048
Income tax and social contribution	(35,623)	(142,346)	(125,268)	(300,764)	(189,006)
Provision for income tax	(24,836)	(98,851)	(71,182)	(218,644)	(130,608)
Provision for social contribution	(11,134)	(38,762)	(34,508)	(86,635)	(61,676)
Deferred income tax and social contribution	347	(4,733)	(19,578)	4,515	3,278
Profit sharing	(20,043)	(40,966)	(39,699)	(85,626)	(45,876)
Net profit before minority interest	382,642	740,867	629,170	762,396	636,166
Minority interest	-	-	-	(21,529)	(6,996)
Net profit for the semester/year	382,642	740,867	629,170	740,867	629,170
Net profit per lot of one thousand shares - R\$	7.41	14.34	13.90		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2004 and 2003 and second semester of 2004

(In thousands of Reais)

			Capital reserves		Revenue reserves		Retained earnings	Total
	Capital	Capital increase	Allocation to investments	Correction of membership certificates	Legal	Expansion		
Balances at December 31, 2002	1,063,000	-	2,080	1,350	41,138	354,883	53,279	1,515,730
Distribution of dividends from prior years	-	-	-	-	-	(95,482)	-	(95,482)
Capital increase	437,250	-	-	-	-	-	-	437,250
Constitution of reserve								
Allocation to investments	-	-	-	1,062	-	-	-	1,062
Net profit for year	-	-	-	-	-	-	629,170	629,170
Allocation of net profit:								
Legal reserve	-	-	-	-	31,458	-	(31,458)	-
Expansion reserve	-	-	-	-	-	301,950	(301,950)	-
Interest on shareholders' equity	-	-	-	-	-	-	(295,762)	(295,762)
Balances at December 31, 2003	<u>1,500,250</u>	<u>-</u>	<u>2,080</u>	<u>2,412</u>	<u>72,596</u>	<u>561,351</u>	<u>53,279</u>	<u>2,191,968</u>
Capital increase	250,000	129,750	-	-	-	-	-	379,750
Constitution of reserve								
Allocation to investments	-	-	-	1,268	-	-	-	1,268
Net profit for year	-	-	-	-	-	-	740,867	740,867
Allocation of net profit:								
Legal reserve	-	-	-	-	37,043	-	(37,043)	-
Expansion reserve	-	-	-	-	-	476,064	(476,064)	-
Interest on shareholders' equity	-	-	-	-	-	-	(227,760)	(227,760)
Balances at December 31, 2004	<u>1,750,250</u>	<u>129,750</u>	<u>2,080</u>	<u>3,680</u>	<u>109,639</u>	<u>1,037,415</u>	<u>53,279</u>	<u>3,086,093</u>
Balances at June 30, 2004	1,500,250	250,000	2,080	2,641	90,507	561,351	393,593	2,800,422
Capital increase	-	129,750	-	-	-	-	-	129,750
Homologation of capital	250,000	(250,000)	-	-	-	-	-	-
Constitution of reserve:								
Allocation to investments	-	-	-	1,039	-	-	-	1,039
Net profit for the semester	-	-	-	-	-	-	382,642	382,642
Allocation of net profit:								
Legal reserve	-	-	-	-	19,132	-	(19,132)	-
Expansion reserve	-	-	-	-	-	476,064	(476,064)	-
Interest on shareholders' equity	-	-	-	-	-	-	(227,760)	(227,760)
Balances at December 31, 2004	<u>1,750,250</u>	<u>129,750</u>	<u>2,080</u>	<u>3,680</u>	<u>109,639</u>	<u>1,037,415</u>	<u>53,279</u>	<u>3,086,093</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in financial position

Years ended December 31, 2004 and 2003 and second semester of 2004

(In thousands of Reals)

	Bank			Consolidated	
	Years			Years	
	2nd semester	2004	2003	2004	2003
Sources of funds	5,847,508	12,704,728	8,578,310	12,613,183	8,246,907
Net profit for the semester/year	382,642	740,867	629,170	740,867	629,170
Adjustments to net profit	(183,874)	(292,585)	(104,984)	8,340	6,493
Depreciation and amortization	1,908	4,217	3,957	8,340	6,493
Results from investments in subsidiaries	(185,782)	(296,802)	(108,941)	-	-
Minority interest	-	-	-	5,907	(34,235)
Funds from shareholders	129,750	379,750	437,250	379,750	437,250
Capital payment	129,750	379,750	437,250	379,750	437,250
Variation in deferred income	-	1,116	-	1,108	-
Reserves	1,039	1,268	1,062	1,268	1,062
Allocation for investments	1,039	1,268	1,062	1,268	1,062
Third party funds originating from:	5,517,951	11,874,312	7,615,812	11,475,943	7,207,167
Increase in liabilities	2,216,697	11,854,959	7,200,853	11,474,427	6,781,969
Deposits	1,124,475	4,252,418	1,950,433	4,277,367	1,471,928
Money market repurchase commitments	-	5,699,660	3,615,180	5,170,177	3,616,255
Acceptances and endorsements	-	-	1,527,091	-	1,527,091
Interbranch accounts	8,748	8,812	-	8,814	-
Borrowings and repasses	5,169	777,687	18,239	777,124	-
Derivative financial instruments	1,015,707	595,006	-	643,344	-
Other liabilities	62,598	521,376	89,910	597,601	166,695
Decrease in assets	3,296,392	9,571	404,065	863	423,367
Interbank funds applied	3,028,198	-	-	-	-
Lease operations	-	-	-	863	26,578
Other receivables	261,568	-	391,461	-	396,789
Other assets	6,626	9,571	12,604	-	-
Disposal of assets and investments	43	63	569	653	1,831
Investments	-	-	546	-	558
Other fixed assets for use	43	63	23	244	53
Operational lease assets	-	-	-	409	1,220
Dividends	4,819	9,719	10,325	-	-
Application of funds	5,844,233	12,701,992	8,594,528	12,608,992	8,239,531
Distribution of dividends	-	-	95,482	-	95,482
Interest on shareholders' equity	227,760	227,760	295,762	227,760	295,762
Variation in deferred income	1,257	-	1,104	-	1,286
Investment in	6,307	8,149	231,742	35,884	14,194
Investments	3,339	3,593	225,545	5,375	3,957
Other fixed assets for use	1,695	3,167	4,940	18,966	7,321
Operational lease assets	-	-	-	-	934
Deferred charges	1,273	1,389	1,257	11,543	1,982
Increase in assets	4,899,241	11,723,703	6,433,022	11,597,679	6,594,319
Interbank funds applied	-	6,489,978	5,427,519	4,646,774	4,708,694
Securities and derivative financial instruments	4,530,526	3,626,571	319,755	3,330,110	119,460
Interbank accounts	51,174	195,804	135,346	195,804	135,346
Loans	317,541	1,176,748	550,402	2,864,858	1,597,424
Other receivables	-	234,602	-	502,809	-
Other assets	-	-	-	57,324	33,395
Decrease in liabilities	709,668	742,380	1,537,416	747,669	1,238,488
Money market funding	339,175	-	-	-	-
Acceptances and endorsements	365,950	742,380	-	747,669	-
Interbranch accounts	-	-	78	-	78
Interbank accounts	4,543	-	-	-	-
Borrowings and repasses	-	-	-	-	52,777
Derivative financial instruments	-	-	1,537,338	-	1,185,633
Increase (decrease) in net working capital	3,275	2,736	(16,218)	4,191	7,376
Statement of changes in net working capital					
Bank and cash					
At beginning of semester/year	2,528	3,067	19,285	15,559	8,183
At end of semester/year	5,803	5,803	3,067	19,750	15,559
Increase (decrease) in net working capital	3,275	2,736	(16,218)	4,191	7,376

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Years ended December 31, 2004 and 2003 and second semester of 2004

(In thousands of Reais)

1 Operations

The operational activities of Banco Votorantim S.A. and its subsidiaries refer mainly to operations on the financial market, operating as a multiple bank with commercial, credit, financing and investment portfolios; on stock exchanges trading and distributing securities on its own account and for third parties; operating a leasing portfolio and managing investment funds.

The operations of Banco Votorantim S.A. are undertaken within the context of a group of financial institutions that operate on the financial market and these institutions co-participate or act as intermediaries in certain of these operations. The benefits of the services provided between these institutions and the costs of the administrative and operational structure are allocated on a practical and reasonable basis, as a whole or individually.

2 Presentation of the financial statements

The financial statements of Banco Votorantim S.A. and the consolidated financial statements were prepared in accordance with Brazilian Corporation Law - Law 6404/76 and rules of Central Bank of Brazil.

In compliance with resolution 2723, of the Central Bank of Brazil, the overseas branch operations are being presented in a consolidated form, including the headquarters and the other branches in the Brazil.

3 Consolidated financial statements

The consolidated financial statements, prepared in accordance with Brazilian Corporation Law and rules of the Central Bank of Brazil, include the financial statements of Banco Votorantim S.A. and its direct subsidiaries, as listed below:

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	Percentage of investment	
	2004	2003
Direct subsidiaries in Brazil		
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	99.98	99.98
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.99	99.99
BV Financeira S.A. - Crédito, Financiamento e Investimento	99.99	99.99
BV Leasing - Arrendamento Mercantil S.A.	99.99	99.99
Controlled directly overseas		
Votorantim Bank Limited (see note 10a)	4.03	4.03

Description of main consolidation procedures

- a. Elimination of intercompany asset and liability account balances;
- b. Elimination of investment in the subsidiaries' capital, reserves and retained earnings;
- c. Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions;
- d. The financial statements of the subsidiary BV Leasing - Arrendamento Mercantil S.A., were reclassified, off the accounting records, in order to reflect its financial position and results in the consolidation, in accordance with the financial method;
- e. The accounting balances of Votorantim Bank Limited, which are prepared in accordance with international accounting standards (IFRS), were translated into reais, using the quotation for the US dollar at the year-end. For purposes of calculating the equity pick up and consolidation, these balances were adjusted to comply with accounting practices derived from Brazilian Corporation Law.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

4 Description of main accounting practices

a. Income statements

The results are calculated on the accrual basis.

b. Securities and derivative financial instruments

In compliance with Circular 3068 of the Central Bank of Brazil, the securities are classified in the following categories, according to the Management's investment intentions:

- Securities for trading;
- Securities available for sale; and
- Securities held to maturity.

The securities classified as securities for trading should be valued and recorded at market value, and the difference, when compared to corrected cost, recognized to the results for the year. The securities classified as securities available for sale should be recorded at market value and the difference, when compared to corrected cost, recognized in a specific shareholders' equity account. The securities classified as securities held to maturity should be recorded at cost, plus income earned to the balance sheet date.

In accordance with Circular 3082 of the Central Bank of Brazil, derivative financial instruments should be valued and recorded at market value and classified as either hedge or non-hedge. The hedge is classified as: (i) hedge against market risk or (ii) cash flow hedge.

The criteria for recording financial instruments are as follows:

- For derivative financial instruments that do not act as hedge, and for those that are classified as hedge against market risk, the adjustments to market value are recorded as the corresponding entry to the appropriate income or expense account in the results for the year.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- For derivative financial instruments classified as cash flow hedge, the effective hedge amount should be recorded as the corresponding entry in a separate shareholders' equity account, and any other variation as the corresponding entry for the appropriate income or expense account in the results for the year.

In the case of derivative financial instruments that are used to protect securities classified in the category "securities held to maturity", both the security and the derivative financial instruments are valued and recorded based on the intrinsic contractual conditions, and are not stated at market value.

The adjustments as a result of adopting the new criteria are shown below:

Bank

	<u>2004</u>	<u>2003</u>
Net income for the year before adjustments	869,214	732,677
Reversal of the adjustments for the prior period:		
Securities portfolio	(365,295)	1,309,151
Liabilities from overseas securities	43,472	-
Derivative financial instruments	(16,879)	(1,804,726)
Other adjustments	(44)	72
Tax effect - Income tax and social contribution	115,201	168,495
Adjustments referring to the current period:		
Securities portfolio	146,404	365,295
Liabilities from overseas securities	-	(43,472)
Derivative financial instruments	(2,165)	16,879
Tax effect - Income tax and social contribution	(49,041)	(115,201)
Net income for the year after adjustments	<u>740,867</u>	<u>629,170</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated

	<u>2004</u>	<u>2003</u>
Net income for the year before adjustments	703,532	698,399
Reversal of the adjustments for the prior period:		
Securities portfolio	(468,082)	1,142,698
Derivative financial instruments	386	(1,940,985)
Liabilities from overseas securities	43,472	-
Debt assumption contracts	874	-
Other adjustments	(44)	72
Tax effect - Income tax and social contribution	143,980	179,616
Adjustments referring to the current period:		
Securities portfolio	248,925	468,082
Financing portfolio	251,131	-
Liabilities from overseas securities	-	(43,472)
Derivative financial instruments	(20,642)	(386)
Debt assumption contracts	506	(874)
Tax effect - Income tax and social contribution	(163,171)	(143,980)
Net income for the year after adjustments	<u>740,867</u>	<u>629,170</u>

c. *Other assets*

Stated at cost, including income calculated on a daily “pro rata” basis and monetary and foreign exchange variations earned to the balance sheet date and adjusted, when applicable, for a provision to reflect realizable values. The allowance for loan losses is based on an analysis of the outstanding loans, the economic situation and past experience and the specific and global risks of the portfolio, as well as BACEN norms.

Tax credits are recognized related basically to the allowance for loan losses.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

d. Permanent assets

Stated at cost (monetarily corrected up to December 31, 1995), combining the following aspects:

- i.** Valuation of investments in subsidiaries in Brazil and overseas, using the equity method.
- ii.** Depreciation of fixed assets using the straight-line method, based on annual rates that take into consideration the useful economic lives of the assets, as follows: furniture and utensils, communications systems - 10%, and data processing equipment and vehicles - 20%.
- iii.** Other investments refer mainly to membership certificates for the São Paulo Stock Exchange - BOVESPA and the Futures and Commodities market - BM&F, CIP - Interbank Chamber for Payments and Center for Compensation Agent "A", stated at nominal value, corrected based on information received from the exchanges and chambers.
- iv.** Amortization of deferred charges over periods that correspond to the benefits generated.

e. Other liabilities

Stated at known or estimated amounts, including, when applicable, charges calculated on a daily "pro rata" basis and monetary and foreign exchange variations incurred up to the balance sheet date. The provisions for income tax and social contribution were recorded at the rates of 15%, plus a surtax of 10%, and 9%, respectively, in accordance with prevailing legislation. The deferred income tax and social contribution were calculated on the adjustment at market value of the securities and derivative financial instruments, using the same rates as the current tax in Banco Votorantim S.A. In the Consolidated financial statements, the deferred tax was recognized, calculated at the rate of 25% on the adjustment of the excess of the lease portfolio depreciation, and deferred income tax and social contribution, calculated on the adjustment at market value of the securities, and derivative financial instruments, of the loan portfolio and of debt assumption operations, at the rate of 15%, with the addition of an extra 10%, and 9%, respectively.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

5 Interbank funds applied

It comprises interbank deposits remunerated at post fixed and pre fixed rates, maturing by December 2009, amounting to R\$ 5,655,867 (2003 - R\$ 3,526,793) for Banco Votorantim S.A. and R\$ 1,198,885 (2003 - R\$ 913,915), in Consolidated; investments on the money market tied to public securities, amounting to R\$ 11,247,478 (2003 - R\$ 7,001,428) for Banco Votorantim S.A. and foreign currency deposits of R\$ 273,178 (2003 - R\$ 158,324) for Banco Votorantim S.A. and in Consolidated.

6 Securities

The pricing criteria for securities are defined by the risk management area and take into consideration the prices and rates officially published by ANDIMA and BM&F, as well as any adjustments to the prices of low liquidity securities, which consider offers, latest prices charged, possible dispersion and any other factors that could determine the market value in the most appropriate and fair manner, for both the domestic and overseas market.

For securities traded on the Brazilian market, the average rates published by ANDIMA on the closing date are considered and the closing rate published for the BM&F positions, and the prices of the latest negotiations for debentures published by ANDIMA, taking into consideration the criteria considered appropriate to determine the price of low liquidity securities. For the assets of overseas investments, the closing prices for public debt securities on the international market published by Bloomberg and other information services are considered, as well as criteria considered appropriate and correct for the pricing of low liquidity securities.

During this period, the Nassau branch reclassified the accounting of the public bonds overseas (“Eurobonds”), from “securities for trading”, to “held to maturity”. The change in classification did not generate any impact on the result of the period.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Bank

											2004	2003					
											Maturity dates						
Type	Cost	Market value	Unrealized (Loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	More than 15 years	Total	Market value						
NTN-A	84,180	107,167	22,987	-	-	-	-	107,167	-	107,167	250,324						
NTN-B	759,606	757,814	(1,792)	-	-	757,544	270	-	-	757,814	513,981						
NTN-C	1,741,977	1,727,956	(14,021)	-	1,534,130	68,624	125,202	-	-	1,727,956	217,512						
NTN-D	240,511	267,270	26,759	101,099	27,424	89,504	49,243	-	-	267,270	1,335,416						
NBC-E	681	725	44	-	725	-	-	-	-	725	1,305,521						
LFT	124,466	124,484	18	15	107,495	16,974	-	-	-	124,484	630,455						
LTN	2,349,038	2,350,013	975	-	2,100,712	249,301	-	-	-	2,350,013	1,920,717						
Mortgage bills	12,043	12,043	-	-	-	12,043	-	-	-	12,043	-						
Debentures	891,463	970,582	79,119	42,777	14,201	25,808	167,433	720,363	-	970,582	326,420						
Eurobonds / EI Bond	2,417,133	2,417,133	-	-	341,322	635,476	301,510	1,138,825	-	2,417,133	1,824,615						
C Bond	715,605	715,605	-	-	-	5,785	-	709,820	-	715,605	78,206						
Shares	374,033	406,348	32,315	406,348	-	-	-	-	-	406,348	79,604						
Investment funds	644,179	644,179	-	644,179	-	-	-	-	-	644,179	5,521						
Total	10,354,915	10,501,319	146,404	1,194,418	4,126,009	1,861,059	643,658	2,676,175	-	10,501,319	8,488,292						

Securities held to maturity

Type	Cost	Market value	Unrealized (Loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	More than 15 years	Total	Market value
Eurobonds (Nassau Branch)	944,661	992,847	48,186	-	137,475	426,242	380,944	-	-	944,661	299,005
Total	944,661	992,847	48,186	-	137,475	426,242	380,944	-	-	944,661	299,005

Consolidated

											2004	2003					
											Maturity dates						
Type	Cost	Market value	Unrealized (Loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	More than 15 years	Total	Market value						
NTN-A	325,166	443,438	118,272	-	-	-	-	443,438	-	443,438	617,910						
NTN-B	759,606	757,814	(1,792)	-	-	757,544	270	-	-	757,814	513,981						
NTN-C	1,741,977	1,727,956	(14,021)	-	1,534,130	68,624	125,202	-	-	1,727,956	217,512						
NTN-D	241,868	268,658	26,790	101,099	27,424	89,504	50,631	-	-	268,658	1,422,566						
NBC-E	28,523	35,772	7,249	-	725	35,047	-	-	-	35,772	1,388,700						
LFT	125,005	125,023	18	15	107,495	17,513	-	-	-	125,023	938,313						
LTN	2,349,038	2,350,013	975	-	2,100,712	249,301	-	-	-	2,350,013	1,920,717						
Mortgage bills	12,043	12,043	-	-	-	12,043	-	-	-	12,043	-						
Debentures	891,463	970,582	79,119	42,777	14,201	25,808	167,433	720,363	-	970,582	326,420						
Eurobonds / EI Bond	2,549,939	2,549,939	-	-	343,553	635,476	301,510	1,269,400	-	2,549,939	1,905,626						
C Bond	715,605	715,605	-	-	-	5,785	-	709,820	-	715,605	78,206						
Shares	374,033	406,348	32,315	406,348	-	-	-	-	-	406,348	79,604						
Investment funds	644,179	644,179	-	644,179	-	-	-	-	-	644,179	5,521						
Total	10,758,445	11,007,370	248,925	1,194,418	4,128,240	1,896,645	645,046	3,143,021	-	11,007,370	9,415,076						

Securities held to maturity

Type	Cost	Market value	Unrealized (Loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	More than 15 years	Total	Market value
Eurobonds (Nassau Branch)	944,661	992,847	48,186	-	137,475	426,242	380,944	-	-	944,661	299,005
Total	944,661	992,847	48,186	-	137,475	426,242	380,944	-	-	944,661	299,005

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

7 Derivative financial instruments

The Votorantim Financial Conglomerate undertakes operations that involve derivative financial instruments, operating on organized and over the counter markets, in order to manage risk consistent with the Group policy.

Management of market risk is performed centrally by the administrative area, which is independent from the operations table and is accompanied by the Risks Committee, which consists of the director and vice president of Banco Votorantim S.A., who meet periodically to evaluate risks and define operating limits. The basic procedures adopted for risk management are: a) monitoring the risks and positions in accordance with the limits established by the Risks Committee and legal limits; b) integrity of pricing of assets and derivatives; c) evaluation of market risk using the methodology “Value at Risk” and by simulating scenarios; and d) accompanying the daily results based on “back-test” methodology.

The risk management policy also considers the use of financial derivative instruments to hedge positions, to meet the demand of counterparties and as a means of reversing the positions at times of significant oscillations. The operations comply with the limits determined by the Committee and defined legislation, after analyzing the credit and liquidity risks, when they involve liquidity and credit policies and the decisions of the respective committee.

The pricing policy for derivative financial instruments is defined by the risk management area, and considers the prices officially published by ANDIMA and BM&F, premium calculations for options and other risks in accordance with conventional and accepted methodologies. All of the stages of the operations are verified by internal audit and internal control procedures, and defined and accompanied by a specific, independent area, appropriate for the level of transactions and risks involved.

The amounts receivable from outstanding swap contracts amount to R\$ 2,184,668 (2003 - R\$ 1,432,463) and the amounts payable are R\$ 797,632 (2003 - R\$ 1,054,579) and have been recorded to derivative financial instruments for Banco Votorantim S.A. In Consolidated, the amounts receivable are R\$ 2,254,814 (2003 - R\$ 1,378,338) and amounts payable are R\$ 1,197,067 (2003 - R\$ 1,405,228).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The amounts receivable for sales of forward shares are R\$ 113,033, in Banco Votorantim S.A. and in Consolidated. The amounts payable for forward share acquisitions are R\$ 4,077, in Banco Votorantim S. A. and in Consolidated. The amounts receivable for forward share acquisitions are R\$ 4,662, in Banco Votorantim S.A. and in Consolidated. Amounts payable for forward share acquisitions to be delivered are R\$ 118,076, in Banco Votorantim S.A. and in Consolidated.

The amounts received for box contracts of funding options are R\$ 552,135, and are recorded in derivative financial instruments in Banco Votorantim S.A. and in Consolidated.

The premiums paid on option contracts acquired amount to R\$ 109,624 (2003 - R\$ 11,637) and premiums received from option contracts launched amount to R\$ 122,287 (2003 - R\$ 7,899) and have been recorded to derivative financial instruments for Banco Votorantim S.A. and in Consolidated.

The daily adjustments of the operations on the futures market amount to R\$ 78,123 (2003 - R\$ 84,403), in assets, and R\$ 106,068 (2003 - R\$ 8,597), in liabilities, for Banco Votorantim S. A. and R\$ 78,123 (2003 - R\$ 84,656) in assets and R\$ 105,617 (2003 - R\$ 8,847) in liabilities in Consolidated and are recorded to Securities Clearing Accounts and Derivative financial instruments.

The operations undertaken on the organized stock exchanges have as their counterpart financial institutions authorized by the Central Bank to operate on the financial market. The operations undertaken on the over-the-counter market are registered with CETIP and the counterparties are companies that are not members of the National Financial System.

The margins deposited with BM&F totaled R\$ 1,311,046 (2003 - R\$ 1,791,883), for Banco Votorantim S.A., and R\$ 1,356,576 (2003 - R\$ 1,828,986), in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The derivative financial instruments have been summarized as follows:

Bank

Type	2004										2003	
	Original value of contract	Values/premiums: to receive (received) to pay (paid) Contracted	Values/premiums: to receive (received) to pay (paid) Market	Unrealized profit/(loss)	Maturity dates						Original value of contract	Values/premiums: to receive (received) to pay (paid) market
					Within 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total		
Swap												
Asset position	26,147,706	28,980,766	29,007,812	27,046	4,104,935	11,798,859	9,130,624	3,415,696	557,698	29,007,812	35,221,437	40,408,587
Dollar	3,951,203	4,199,485	4,377,553	178,068	869,449	2,188,758	576,995	671,268	71,083	4,377,553	10,893,134	12,394,621
Euro	3,876	3,934	3,956	22	3,956	-	-	-	-	3,956	-	-
DI	16,044,607	18,624,895	18,488,454	(136,441)	2,609,143	6,438,098	6,395,450	2,654,718	391,045	18,488,454	20,784,162	23,872,005
IGPM	2,885,425	3,366,811	3,348,087	(18,724)	390,632	2,026,699	745,476	89,710	95,570	3,348,087	1,559,631	1,957,716
IPCA	305,000	358,978	358,801	(177)	-	-	358,801	-	-	358,801	180,000	184,953
SELIC	-	-	-	-	-	-	-	-	-	-	1,599	1,656
Pre	2,957,595	2,426,663	2,430,961	4,298	231,755	1,145,304	1,053,902	-	-	2,430,961	1,802,911	1,997,636
Liability position	26,147,706	27,639,118	27,620,776	18,342	3,986,671	11,640,599	8,464,575	3,058,935	469,996	27,620,776	35,221,437	40,030,703
Dollar	11,479,094	11,383,690	11,385,337	(1,647)	1,784,509	2,495,196	4,487,126	2,218,898	399,608	11,385,337	18,980,703	20,628,474
Euro	1,000	997	1,003	(6)	1,003	-	-	-	-	1,003	-	-
DI	7,805,996	9,347,925	9,355,560	(7,635)	1,557,901	5,330,226	1,662,215	734,830	70,388	9,355,560	12,647,545	15,027,671
IGPM	4,366,194	4,996,179	4,973,922	22,257	492,921	3,153,009	1,222,785	105,207	-	4,973,922	1,576,174	1,896,117
IPCA	50,000	54,224	54,199	25	-	-	54,199	-	-	54,199	-	-
Pre	2,445,422	1,856,103	1,850,755	5,348	150,337	662,168	1,038,250	-	-	1,850,755	2,017,015	2,478,441
Total	-	1,341,648	1,387,036	45,388	118,264	158,260	666,049	356,761	87,702	1,387,036	-	377,884

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Futures												
Asset position	8,572,769	20,824	20,824	-	2,354,021	1,658,651	3,015,544	1,544,553	-	8,572,769	12,347,146	12,347,146
DDI	4,911,523	(38,761)	(38,761)	-	1,987,753	270,783	1,426,253	1,226,734	-	4,911,523	7,612,581	7,612,581
Pre	-	-	-	-	-	-	-	-	-	-	-	-
DI	638,149	209	209	-	-	-	636,691	1,458	-	638,149	1,344,551	1,344,551
Dollar	2,426,103	(18,691)	(18,691)	-	207,004	950,138	952,600	316,361	-	2,426,103	3,375,482	3,375,482
IND	46,170	(57)	(57)	-	-	46,170	-	-	-	46,170	-	-
Pre	318,528	77,610	77,610	-	159,264	159,264	-	-	-	318,528	-	-
Pounds sterling	2,722	245	245	-	-	2,722	-	-	-	2,722	-	-
EURO	229,574	269	269	-	-	229,574	-	-	-	229,574	14,532	14,532
Liability position	13,966,535	(48,769)	(48,769)	-	5,644,653	4,238,883	2,108,527	1,200,453	774,017	13,966,533	13,764,276	13,764,276
DDI	1,721,190	13,202	13,202	-	-	-	150,504	807,153	763,533	1,721,190	1,949,233	1,949,233
Pre	-	-	-	-	-	-	-	-	-	-	23,929	23,929
DI	11,066,035	(2,638)	(2,638)	-	4,979,759	3,910,275	1,772,215	393,300	10,484	11,066,033	9,335,753	9,335,753
Dollar	350,240	3,668	3,668	-	216,599	133,641	-	-	-	350,240	2,294,805	2,294,805
IND	292,432	278	278	-	275,759	16,673	-	-	-	292,432	50,225	50,225
IGPM	-	-	-	-	-	-	-	-	-	-	-	-
Pre	531,225	(25,736)	(25,736)	-	172,536	172,881	185,808	-	-	531,225	-	-
Pounds sterling	2,722	(245)	(245)	-	-	2,722	-	-	-	2,722	-	-
EURO	2,691	(37,298)	(37,298)	-	-	2,691	-	-	-	2,691	110,331	110,331
Total	(5,393,766)	(27,945)	(27,945)	-	(3,290,632)	(2,580,232)	907,017	344,100	(774,017)	(5,393,764)	(1,417,130)	(1,417,130)
Options												
Asset position	2,495,911	141,872	109,624	(32,248)	1,933,486	298,372	264,053	-	-	2,495,911	1,325,956	11,637
Shares	355,820	119,938	99,231	(20,707)	14,400	77,367	264,053	-	-	355,820	16,800	238
IND	7,800	992	1,044	52	-	7,800	-	-	-	7,800	-	-
DI	513,238	4,530	3,624	(906)	513,233	5	-	-	-	513,238	933,531	1,796
Flexible	25,233	512	512	-	25,233	-	-	-	-	25,233	-	-
Pre	132,720	86	86	-	132,720	-	-	-	-	132,720	-	-
Dollar	1,461,100	15,814	5,127	(10,687)	1,247,900	213,200	-	-	-	1,461,100	375,625	9,603
Liability position	1,378,572	106,982	122,287	(15,305)	783,771	251,841	342,960	-	-	1,378,572	1,808,882	7,899
Shares	366,543	83,179	105,938	(22,759)	107,971	8,516	250,056	-	-	366,543	53,607	2,815
IND	34,350	2,187	2,149	38	34,350	-	-	-	-	34,350	-	-
DI	85,258	239	332	(93)	85,258	-	-	-	-	85,258	1,109,050	3,606
Flexible	1,492	33	33	-	1,492	-	-	-	-	1,492	-	-
BR Exit	92,904	682	682	-	-	-	92,904	-	-	92,904	-	-
Dollar	798,025	20,662	13,153	7,509	554,700	243,325	-	-	-	798,025	646,225	1,478
Total	1,117,339	34,890	(12,663)	(47,553)	1,149,715	46,531	(78,907)	-	-	1,117,339	(482,926)	3,738

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated

Type	2004										2003	
	Original value of contract	Values/premiums: to receive (received) to pay (paid) Contracted	Values/premiums: to receive (received) to pay (paid) Market	Unrealized profit/(loss)	Maturity dates						Original value of contract	Values/premiums: to receive (received) to pay (paid) market
					Within 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total		
Swap												
Asset position	26,588,253	30,199,364	30,277,364	78,000	3,896,484	10,969,219	10,856,695	3,833,722	721,244	30,277,364	31,445,547	37,571,803
Dollar	4,916,789	5,177,657	5,386,936	209,279	869,449	1,862,508	1,787,897	867,082	-	5,386,936	10,056,417	11,524,860
Euro	3,876	3,934	3,956	22	3,956	-	-	-	-	3,956	-	-
DI	16,042,089	19,517,060	19,380,552	(136,508)	2,527,823	6,206,561	7,143,564	2,876,930	625,674	19,380,552	18,642,845	22,781,605
IGPM	2,915,425	3,399,681	3,380,729	(18,952)	390,633	2,059,341	745,475	89,710	95,570	3,380,729	180,000	184,954
IPCA	305,000	358,978	358,800	(178)	-	-	358,800	-	-	358,800	1,579,631	1,978,933
SELIC	-	-	-	-	-	-	-	-	-	-	1,599	1,656
Pre	2,405,074	1,742,054	1,766,391	24,337	104,623	840,809	820,959	-	-	1,766,391	985,055	1,099,795
Liability position	26,588,253	29,168,528	29,219,617	(51,089)	3,794,738	10,869,898	10,440,892	3,489,685	624,404	29,219,617	31,445,547	37,598,693
Dollar	11,809,775	12,647,612	12,710,878	(63,266)	1,755,447	2,264,441	5,633,893	2,432,693	624,404	12,710,878	16,946,853	20,067,295
Euro	1,000	997	1,003	(6)	1,003	-	-	-	-	1,003	-	-
DI	8,522,823	10,299,307	10,306,636	(7,329)	1,433,824	5,099,858	2,821,170	951,784	-	10,306,636	11,228,973	13,513,921
IGPM	4,396,194	5,029,001	5,006,490	22,511	492,921	3,185,612	1,222,749	105,208	-	5,006,490	1,596,174	1,917,255
IPCA	50,000	54,224	54,199	25	-	-	54,199	-	-	54,199	-	-
Pre	1,808,461	1,137,387	1,140,411	(3,024)	111,543	319,987	708,881	-	-	1,140,411	1,673,547	2,100,222
Total	-	1,030,836	1,057,747	26,911	101,746	99,321	415,803	344,037	96,840	1,057,747	-	(26,890)

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Futures												
Asset position	8,570,047	20,824	20,824	-	2,354,021	1,655,929	3,015,544	1,544,553	-	8,570,047	12,347,997	12,347,997
DDI	4,911,523	(38,761)	(38,761)	-	1,987,753	270,783	1,426,253	1,226,734	-	4,911,523	7,612,581	7,612,581
DI	638,149	209	209	-	-	-	636,691	1,458	-	638,149	1,344,551	1,344,551
Dollar	2,426,103	(18,691)	(18,691)	-	207,004	950,138	952,600	316,361	-	2,426,103	3,375,482	3,375,482
IND	46,170	(57)	(57)	-	-	46,170	-	-	-	46,170	-	-
Pre	318,528	77,610	77,610	-	159,264	159,264	-	-	-	318,528	-	-
Pounds sterling	2,722	245	245	-	-	2,722	-	-	-	2,722	-	-
EURO	226,852	269	269	-	-	226,852	-	-	-	226,852	15,383	15,383
Liability position	17,480,683	(48,318)	(48,318)	-	6,504,825	6,623,507	2,377,881	1,200,453	774,017	17,480,683	13,765,127	13,765,127
DDI	1,721,190	13,202	13,202	-	-	-	150,504	807,153	763,533	1,721,190	1,949,233	1,949,233
DI	14,582,905	(2,638)	(2,638)	-	5,839,931	6,297,621	2,041,569	393,300	10,484	14,582,905	9,335,753	9,335,753
Dollar	350,240	3,668	3,668	-	216,599	133,641	-	-	-	350,240	2,294,805	2,294,805
IND	292,432	278	278	-	275,759	16,673	-	-	-	292,432	50,225	50,225
Pre	531,225	(25,736)	(25,736)	-	172,536	172,881	185,808	-	-	531,225	23,929	23,929
EURO	2,691	(37,092)	(37,092)	-	-	2,691	-	-	-	2,691	111,182	111,182
Total	(8,910,636)	(27,494)	(27,494)	-	(4,150,804)	(4,967,578)	637,663	344,100	(774,017)	(8,910,636)	(1,417,130)	(1,417,130)
Options												
Asset position	2,495,911	141,872	109,624	(32,248)	1,933,486	298,372	264,053	-	-	2,495,911	1,325,956	11,637
Shares	355,820	119,938	99,231	(20,707)	14,400	77,367	264,053	-	-	355,820	16,800	238
IND	7,800	992	1,044	52	-	7,800	-	-	-	7,800	-	-
DI	513,238	4,530	3,624	(906)	513,233	5	-	-	-	513,238	933,531	1,796
Flexible	25,233	512	512	-	25,233	-	-	-	-	25,233	-	-
Pre	132,720	86	86	-	132,720	-	-	-	-	132,720	-	-
Dollar	1,461,100	15,814	5,127	(10,687)	1,247,900	213,200	-	-	-	1,461,100	375,625	9,603
Liability position	1,378,572	106,982	122,287	15,305	783,771	251,841	342,960	-	-	1,378,572	1,808,882	7,899
Shares	366,543	83,179	105,938	22,759	107,971	8,516	250,056	-	-	366,543	53,607	2,815
IND	34,350	2,187	2,149	(38)	34,350	-	-	-	-	34,350	-	-
DI	85,258	239	332	93	85,258	-	-	-	-	85,258	1,109,050	3,606
Flexible	1,492	33	33	-	1,492	-	-	-	-	1,492	-	-
Pre	92,904	682	682	-	-	-	92,904	-	-	92,904	-	-
Dollar	798,025	20,662	13,153	(7,509)	554,700	243,325	-	-	-	798,025	646,225	1,478
Total	1,117,339	34,890	(12,663)	(47,553)	1,149,715	46,531	(78,907)	-	-	1,117,339	(482,926)	3,738

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

8 Loans, foreign exchange portfolio and lease operations

a. Composition of operations

	Bank	
	2004	2003
Loans - Public sector	54,488	-
Loans - Private sector	934,950	584,896
Financing - Private sector	952,941	640,084
Financing - Rural and Agricultural-Industrial	98,072	-
Financing - Securities	348,274	-
Advances on foreign exchange contracts (classified as a reduction against "Other liabilities - foreign exchange portfolio")	<u>45,618</u>	<u>83,117</u>
Total	<u>2,434,343</u>	<u>1,308,097</u>
	Consolidated	
	2004	2003
Loans - Public sector	54,488	-
Loans - Private sector	1,071,082	694,389
Financing - Private sector	5,456,552	3,488,978
Financing - Rural and Agricultural-Industrial	98,072	-
Financing - Securities	348,274	-
Leasing	26,965	36,900
Advances on foreign exchange contracts (classified as a reduction against "Other liabilities - foreign exchange portfolio")	<u>45,618</u>	<u>83,117</u>
Total	<u>7,101,051</u>	<u>4,303,384</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Composition of portfolio by type of client and economic activity

	Bank	
	2004	2003
Industry	982,723	738,262
Commercial	118,726	123,894
Rural	98,072	-
Other services	1,063,182	435,375
Financial Institutions	82,125	-
Individuals	<u>89,515</u>	<u>10,566</u>
Total	<u>2,434,343</u>	<u>1,308,097</u>

	Consolidated	
	2004	2003
Industry	1,052,773	755,128
Commercial	467,706	282,574
Rural	98,072	-
Other services	82,125	-
Financial institutions	1,076,713	541,234
Individuals	<u>4,323,662</u>	<u>2,724,448</u>
Total	<u>7,101,051</u>	<u>4,303,384</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Composition of the loan portfolio by maturity

Maturity dates	Bank		Consolidated	
	2004	2003	2004	2003
Loans overdue				
More than 15 days	1,754	88	96,102	80,136
Loans to fall due				
Within 3 months	458,091	447,968	1,405,620	1,118,915
From 3 to 12 months	548,325	306,410	2,434,584	1,539,144
From 1 to 3 years	1,172,132	457,792	2,878,695	1,452,594
From 3 to 5 years	179,410	73,943	211,419	90,701
From 5 to 15 years	<u>74,631</u>	<u>21,896</u>	<u>74,631</u>	<u>21,894</u>
Total	<u>2,434,343</u>	<u>1,308,097</u>	<u>7,101,051</u>	<u>4,303,384</u>

d. Composition of loans, at the corresponding risk levels, as established under Central Bank Resolution 2682

Bank	2004			2003		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
AA	1,484,653	-	1,484,653	650,578	-	650,578
A	631,316	-	631,316	513,462	-	513,462
B - overdue from 15 to 30 days	178,088	2,144	180,232	58,906	32	58,938
C - overdue from 31 to 60 days	134,475	3,019	137,494	24,273	141	24,414
D - overdue from 61 to 90 days	479	-	479	953	-	953
E - overdue from 91 to 120 days	-	44	44	59,716	-	59,716
F - overdue from 121 to 150 days	-	-	-	-	-	-
G - overdue from 151 to 180 days	-	-	-	-	32	32
H - overdue more than 180 days	-	125	125	-	4	4
Total	<u>2,429,011</u>	<u>5,332</u>	<u>2,434,343</u>	<u>1,307,888</u>	<u>209</u>	<u>1,308,097</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2004			2003		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
AA	1,764,695	-	1,764,695	766,115	-	766,115
A	4,478,399	-	4,478,399	2,854,487	1,126	2,855,613
B - overdue from 15 to 30 days	189,032	210,230	399,262	66,441	163,542	229,983
C - overdue from 31 to 60 days	145,634	144,324	289,958	39,077	127,651	166,728
D - overdue from 61 to 90 days	3,383	37,375	40,758	5,133	45,898	51,031
E - overdue from 91 to 120 days	185	25,140	25,325	59,836	30,276	90,112
F - overdue from 121 to 150 days	47	18,395	18,442	23,483	37,228	60,711
G - overdue from 151 to 180 days	40	14,965	15,005	11	15,274	15,285
H - overdue more than 180 days	<u>2,090</u>	<u>67,117</u>	<u>69,207</u>	<u>7,545</u>	<u>60,261</u>	<u>67,806</u>
Total	<u>6,583,505</u>	<u>517,546</u>	<u>7,101,051</u>	<u>3,822,128</u>	<u>481,256</u>	<u>4,303,384</u>

e. Market value evaluation

During this year, part of the financing portfolio was valued at market value, considering the respective hedge on the DI future market, with the BM&F, as determined by Resolution 3082 of January 30, 2002. The evaluation of these assets resulted in an unrealized positive adjustment, at December 31, 2004, of R\$ 251,131, which has been classified to Other receivables - Other, to Assets, and to income from loan operations, for the results for the year.

The financing portfolio of BV Financeira S.A. - CFI effectively hedged was valued by the rate for obtaining funds plus the costs of production subject to estimates, thus better reflecting the effects of interest rates on the results.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The due dates of this part of the portfolio and the derivative financial instruments used have been summarized as follows:

Maturity dates	<u>Future DI</u>	<u>Installments - CDC</u>		
	Market value hedge	Market value	Book value	Market adjustment
Jan 05	230,402	230,988	229,951	1,037
Feb - Apr 05	629,769	677,619	663,828	13,791
May - Jul 05	550,569	598,144	573,607	24,537
Aug - Oct 05	470,704	514,138	484,279	29,859
Nov 05 - Jan 06	397,063	434,269	401,542	32,727
Feb - Apr 06	332,586	363,025	330,700	32,325
May - Jul 06	272,769	297,498	266,954	30,544
Aug - Oct 06	210,860	232,994	206,993	26,001
Nov 06 - Jan 07	152,795	167,164	146,999	20,165
Feb - Apr 07	117,440	124,641	108,320	16,321
May - Jul 07	84,207	88,638	76,073	12,565
Aug - Oct 07	44,816	53,152	45,528	7,624
Nov 07 - Jan 08	10,972	16,225	14,077	2,148
Feb - Apr 08	7,532	7,291	6,376	915
May - Jul 08	<u>4,387</u>	<u>4,279</u>	<u>3,707</u>	<u>572</u>
Total	<u>3,516,871</u>	<u>3,810,065</u>	<u>3,558,934</u>	<u>251,131</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

f. Constitution of the allowance for loan losses per level of risk

Risk level	Bank			Consolidated	
	Provision %	2004	2003	2004	2003
A	0.5	3,156	2,567	32,842	25,926
B - overdue from 15 to 30 days	1.0	1,803	589	3,993	2,299
C - overdue from 31 to 60 days	3.0	4,125	733	8,705	5,007
D - overdue from 61 to 90 days	10.0	47	95	4,076	5,102
E - overdue from 91 to 120 days	30.0	13	17,915	7,598	27,034
F - overdue from 121 to 150 days	50.0	-	-	9,221	30,355
G - overdue from 151 to 180 days	70.0	-	23	10,504	10,701
H - overdue more than 180 days	100.0	<u>125</u>	<u>4</u>	<u>69,207</u>	<u>67,806</u>
Total		<u>9,269</u>	<u>21,926</u>	<u>146,144</u>	<u>174,230</u>

During the year loans recovered amounted to R\$ 25,927 (2003 - R\$ 11,118) in Consolidated. The Bank reported a balance of R\$ 159,969, for renegotiated operations in Banco Votorantim and R\$ 218,889 (2003 - R\$ 127,633) in Consolidated.

In Consolidated, the allowance for loan losses was increased for the differences not settled in lease contracts indexed to the dollar, which are being legally discussed, amounting to R\$ 10,529 (2003 - R\$ 11,833), are which are presented mainly in risk level "A".

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

g. The movement on the allowance for loan losses during the year was as follows

	<u>Bank</u>		<u>Consolidated</u>	
	2004	2003	2004	2003
Opening balance	21,926	1,801	174,230	76,290
Constitutions (reversals)	(12,429)	20,125	103,164	176,128
Write-off for losses	(37)	-	(130,754)	(78,029)
Foreign exchange variation	<u>(191)</u>	<u>-</u>	<u>(496)</u>	<u>(159)</u>
Closing balance	<u>9,269</u>	<u>21,926</u>	<u>146,144</u>	<u>174,230</u>

9 Other receivable

	<u>Bank</u>		<u>Consolidated</u>	
	2004	2003	2004	2003
Foreign exchange portfolio (a)	922,819	649,480	922,819	649,480
Income receivable	6,971	5,463	5,581	4,482
Securities clearing accounts (b)	120,215	143,569	129,042	158,947
Other (c)	62,489	79,034	445,344	186,722
Allowance for loan losses	<u>(879)</u>	<u>(533)</u>	<u>(879)</u>	<u>(533)</u>
Total	<u>1,111,615</u>	<u>877,013</u>	<u>1,501,907</u>	<u>999,098</u>

(a) Refers basically to balances for purchase of foreign currency to settle, net of advances - R\$ 483,676 (2003 - R\$ 452,511) and rights to sell foreign currency, net of advances - R\$ 438,270 (2003 - R\$ 194,433) for Banco Votorantim and in Consolidated.

(b) Represented mainly by the difference receivable from contracts on the future markets, described in note 7, and a deposit for margin in guarantee for overseas commitments of R\$ 41,504 (2003 - R\$ 31,318), for Banco Votorantim S.A., and R\$ 42,838 (2003 - R\$ 38,082), in Consolidated.

(c) Refer basically to taxes and contributions to compensate of R\$ 50,286 (2003 - R\$ 57,263) for

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Banco Votorantim S.A. and R\$ 93,247 (2003 - R\$ 94,495) in Consolidated; tax credits of R\$ 2,721 (2003 - R\$ 7,454) for Banco Votorantim S.A. and R\$ 83,376 (2003 - R\$ 78,861) in Consolidated, and the market value of the Financing portfolio, described in Note 8e., in Consolidated.

10 Investments

	Number of quotas/shares held	Investment interest - %	2004				2003	
			Shareholders' equity	Net profit	Income from investment interest	Book value of investments	Income from investment interest	Book value of investments
BV Financeira S.A. - Crédito, Financiamento e Investimento	117,426	99.99	512,644	216,607	216,593	512,609	1,108	296,016
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	20,177	99.98	120,553	43,935	15,721	120,530	27,027	114,527
Votorantim Bank Limited	1,000,000	4.03	206,141	22,392	248	8,317	(1,440)	8,069
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	1,499,800	99.99	43,992	12,794	12,793	43,986	16,836	31,193
BV Leasing - Arrendamento Mercantil S.A.	446,726	99.99	552,884	51,448	<u>51,447</u>	<u>552,879</u>	<u>65,410</u>	<u>501,432</u>
Total					<u>296,802</u>	<u>1,238,321</u>	<u>108,941</u>	<u>951,237</u>

- a. Votorantim Bank Limited - The results from the equity interest refer, mainly, to recognition of results in the investment, plus the effects of foreign exchange variation on foreign currency investments and adjustments recognized directly to shareholders' equity. Banco Votorantim S.A. holds 100% of the ordinary shares (4.03% of the total shares) in Votorantim Bank Limited, which guarantees it shareholding control.
- b. Votorantim C.T.V.M. Ltda. - The results from the equity interest refer to recognition of net profit plus the adjustments recognized directly to shareholders' equity.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- c. On February 27, 2002 the bank's overseas branch, located in Nassau – Bahamas, entered into operation. On June 25, 2004, capital was increased by R\$ 466,200 (equivalent to US\$ 150,000 at that date). The balances of the equity accounts and statement of income from the operation of this Branch, which are consolidated in Banco Votorantim S.A., are the following: total assets R\$ 5,825,243 (2003 - R\$ 3,190,938), total liabilities R\$ 4,816,531 (2003 - R\$ 2,760,233), shareholders' equity R\$ 1,008,712 (2003 - R\$ - 430,705) and income in the year R\$ 195,378 (2003 - R\$ 114,615).
- d. On June 29, 2004, the subsidiary BV Financeira S.A. - Crédito, Financiamento e Investimento purchased all of the quotas in BV Serviços Ltda and BV Promotora de Vendas Ltda. According to the Minutes of the Extraordinary General Meeting and the Protocol for Incorporation and Justification of June 30, 2004, the aforementioned Institution absorbed all the shareholders' equity of these companies and became the successor to all of the rights and obligations. The amounts from the incorporation are presented below:

	BV Serviços Ltda.	BV Promotora de Vendas Ltda.
Total assets	25,088	5,533
Total liabilities	5,298	2,237
Equity (Net Common Property)	19,790	3,296

At the same time, as a result of purchasing the quotas and the subsequent incorporation, goodwill of R\$ 1,502 was generated and amortized, classified to Other operating expenses.

11 Deposits

Represented, mainly, by time deposits of R\$ 10,907,677 (2003 - R\$ 8,349,441), funded at Banco Votorantim S.A., maturing by March 2016, and R\$ 10,941,211 (2003 - R\$ 7,979,005), on Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

12 Money market repurchase commitments

The money market repurchase commitments, contracted from financial institutions, were recorded at their settlement values, of R\$ 13,201,629 (2003 - R\$ 7,501,969), for Banco Votorantim S.A., and are tied to public and private securities. In Consolidated they amount to R\$ 12,989,347 (2003 - R\$ 7,819,170) and refer these operations.

13 Acceptances and endorsements and liabilities from borrowings and repasses

a. Acceptances and endorsements

The liabilities from acceptances and endorsements represent foreign currency funds, obtained from the issue of securities on the international market and overseas banks for repasses to domestic clients, maturing by November 2005, with financial charges of up to 7.25% per annum, plus foreign currency variation.

b. Borrowings

Represented by foreign currency funds, obtained by overseas and domestic banks, mainly, for lending to clients, maturing by November 2005, with financial charges of up to 3.43% per annum, plus foreign currency variation, if post fixed, in Banco Votorantim S.A.

c. Repass

Represented by funds provided by the National Economic and Social Development Bank (BNDES), through its Special Agency for Industrial Financing (FINAME), maturing by September 2013 with monetary correction (Long Term Interest Rate (TJLP) and currency basket) and financial charges of up to 11.00% per annum.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

14 Others liabilities

	<u>Bank</u>		<u>Consolidated</u>	
	2004	2003	2004	2003
Foreign exchange portfolio (a)	891,307	583,753	891,307	583,753
Social and Statutory (b)	83,200	218,098	119,783	237,244
Tax and social security (c)	528,752	485,954	749,149	620,037
Due in connection with securities dealings (d)	308,254	15,624	322,738	26,955
Other (e)	<u>27,545</u>	<u>14,253</u>	<u>63,452</u>	<u>80,840</u>
Total	<u>1,839,058</u>	<u>1,317,682</u>	<u>2,146,429</u>	<u>1,548,829</u>

(a) Foreign exchange portfolio refers to the obligations from the purchase of foreign currency to settle, net of advances R\$ 443,903 (2003 - R\$ 376,262), and for the sale of foreign currency to settle, net of advances R\$ 447,404 (2003 - R\$ 207,491) for Banco Votorantim S.A. and in Consolidated.

(b) Social and statutory refers basically to the balance for interest on own capital payable, net of with holding tax, of R\$ 63,846 (2003 - R\$ 198,730) for Banco Votorantim S.A. and R\$ 78,303 (2003 - R\$ 214,906) in Consolidated, and the provision for profit sharing, amounting to R\$ 19,353 (2003 - R\$ 19,368) for Banco Votorantim S.A. and R\$ 41,480 (2003 - R\$ 22,338) in Consolidated.

(c) The tax and social security balances are represented, mainly, by income tax and social contribution payable in the amount of R\$ 203,730 (2003 - R\$ 158,984) in Banco Votorantim S.A. and R\$ 287,162 (2003 - R\$ 232,261) in Consolidated; deferred income tax and social contribution in the amount of R\$ 49,084 (2003 - R\$ 115,201) in Banco Votorantim S.A. and R\$ 167,870 (2003 - R\$ 149,753) in Consolidated; provision for tax risks in the amount of R\$ 6,607 (2003 - R\$ 6,072) in Banco Votorantim S.A. and R\$ 10,069 (2003 - R\$ 6,647) in Consolidated; taxes and contributions payable of R\$ 269.331 (2003 - R\$ 205.695) in Banco Votorantim S.A. and R\$ 284.046 (2003 - R\$ 231.374) in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- (d) The balances of Due in connection with securities dealing are represented, mainly, by daily adjustments to the transactions undertaken on the futures market, described in Note 7, and by amounts payable for share loan contracts in the amount of R\$ 253,020 (2003 - R\$ 6,336) in Banco Votorantim S.A. and in Consolidated.
- (e) Other, in Consolidated, include liabilities arising from contracts for assumption of liabilities that represent debts assumed by third parties, updated by contractual charges of 16% per annum, plus exchange variation, with maturity up till February 2005. These charges are recorded as "Deposits, money market and interbank funds". The market value of these liabilities amounts to R\$ 18,128 and the contractual value amounts to R\$ 18,634, with unrealized income at December 31, 2004 in the amount of R\$ 506. The criteria for determining the market value are defined by the risk management department, which carefully examines the prices and rates officially disclosed by BM&F.

15 Shareholders' equity - Bank

a. Capital

The subscribed and paid in capital is represented by 51,672,452,590 (2003 - 45,273,426,615) ordinary shares with no par value.

In the Extraordinary General Meeting held on June 29, 2004, the shareholders approved a capital increase in cash of R\$ 250,000, through the issue of 4,545,454,546 new shares, resulting in capital being represented by 49,818,881,161 ordinary shares with no par value. The increase was approved by the Central Bank of Brazil on July 08, 2004. Furthermore, during an Extraordinary General Meeting on December 29, 2004, the shareholders approved, a new increase in capital, amounting to R\$ 129,750, through the issuance of 1,853,571,429 new shares, using part of the distributed value, to shareholders as interest on own capital.

b. Dividends

The shareholders are guaranteed a minimum dividend equivalent to 25% of net profit for the year less the legal reserve. The dividends not distributed are distributed to the "Expansion Reserve".

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Interest on shareholders' equity

In accordance with the option provided under law 9249/95, in 2004 the Bank calculated interest on shareholders' equity based on the long term interest rate (TJLP) in force during the year, of R\$ 227,760, which was recorded as financial expenses, as required under the tax legislation. For purposes of these financial statements, this interest has been eliminated from financial expenses for the year and has been recorded to the retained earnings account as the corresponding entry for the current liability.

Income and social contribution taxes for the year were decreased by approximately R\$ 77,438, as a result of deducting the interest on shareholders' equity credited to shareholders from these taxes.

16 Income and social contribution taxes

Bank

a. Charges due on operations for the year

Presented below are the income and social contribution taxes on operations for the year:

	<u>2004</u>	<u>2003</u>
Profit before income and social contribution taxes	924,179	794,137
Charges (income and social contribution taxes) at the nominal rates of 25% and 9% respectively	(314,221)	(270,007)
Permanent exclusions/(additions)	<u>167,567</u>	<u>153,869</u>
Nondeductible expenses	(495)	(319)
Profit sharing	13,928	13,498
Tax loss and negative social contribution basis	-	11,903
Equity in income of subsidiary and exchange rate	138,563	63,224
Results of subsidiary and branch overseas	(66,428)	(39,069)
Interest NTN-A	4,561	4,073

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>2004</u>	<u>2003</u>
Interest on shareholders' equity	77,438	(42,846)
Temporary exclusions/(additions)	(57,075)	(48,846)
Allowance for loan losses	4,733	(6,843)
Market adjustment Circulars 3068 and 3082	(66,116)	(53,294)
Provision for tax and labor contingencies	-	14,383
Others	4,308	2,908
Current income and social contribution taxes	(203,729)	(158,984)
Deferred income and social contribution taxes	<u>66,116</u>	<u>53,294</u>
Total income and social contribution taxes	(137,613)	(105,690)
<i>b. Deferred income and social contribution taxes affecting the results were calculated as follows</i>		
Deferred income and social contribution taxes	<u>2004</u>	<u>2003</u>
Additions/(exclusions):		
Market adjustment Circulars 3068 and 3082	<u>66,116</u>	<u>53,294</u>
Deferred income and social contribution taxes for the year	<u>66,116</u>	<u>53,294</u>
Tax credit		
Additions/(exclusions):		
Allowance for loan losses	(4,733)	6,843
Provision for tax and labor contingencies	-	(14,518)
Tax loss and negative social contribution basis	-	(11,903)
Deferred tax assets for the year	(4,733)	(19,578)

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Deferred income and social contribution taxes

	<u>2004</u>	<u>2003</u>
Assets (Other receivables - Other)		
Opening balance	7,454	27,032
Allowance for loan losses	(4,733)	6.843
Provision for tax and labor contingencies	-	(14.518)
Tax loss and negative social contribution basis	<u>-</u>	<u>(11.903)</u>
Closing balance	<u>2,721</u>	<u>7,454</u>
Liabilities (Other liabilities - tax and social security)		
Opening balance	115,201	168,495
Market adjustment Circulars 3068 and 3082	(66,116)	(53,294)
Closing balance	<u>(49,085)</u>	<u>115,201</u>

d. Estimated realization

	2005	2006	Total
Allowance for loan losses	<u>1,478</u>	<u>1,243</u>	<u>2,721</u>
Total	<u>1,478</u>	<u>1,243</u>	<u>2,721</u>

Bank - technical study for realization of tax credits

The tax credits were recorded in accordance with legislation in force, based on studies supporting the ability to realize these credits, and on the following premises:

- Compliance with the conditions of Resolution 3059 of December 20, 2002.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- Tax credit on timing differences: constituted on the allowance for loan losses, realization of which depends on the legal period for deductibility according to law 9430/96. After exhausting all legal collection resources, any recoveries or reduction of losses will result in a decrease in the provision, to be excluded from the taxable base. Estimated realization: between 1 and 2 years, at the most.
- The accounting balance considers the present value of tax credits.

The deferred tax liabilities were recorded in accordance with legislation in force and refer to income that will be taxed when realized, resulting from the difference between the book value and market values of securities and derivative financial instruments, the realization of which is forecast for 2005.

Consolidated

a. Charges due on operations

Presented below are the income and social contribution taxes on operations for the year:

	2004	2003
Profit before income and social contribution taxes	1,148,786	871,048
Charges (income and social contribution taxes) at the nominal rates of 25% and 9% respectively	<u>(390,587)</u>	<u>(296,156)</u>
Permanent exclusions/(additions)	<u>55,050</u>	<u>106,537</u>
Nondeductible expenses	(2,023)	(1,073)
Tax loss and negative social contribution basis	5,613	22,640
Profit sharing	29,056	15,525
Results of subsidiary and branch overseas	(66,428)	(43,869)
Deferred exchange variation	-	(83)
Interest NTN-A	11,394	9,438
Interest on shareholders' equity	77,438	103,959
Temporary exclusions/(additions)	<u>48,375</u>	<u>(42,642)</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	2004	2003
Allowance for loan losses	(8,412)	(39,956)
Market adjustment Circulars 3068 and 3082	19,235	(35,636)
Provision for tax and labor contingencies	(2,415)	14,955
Excess depreciation	(1,118)	(4,182)
Other provisions	-	(912)
Others	41,085	23,089
Current income and social contribution taxes	<u>(287,162)</u>	<u>(232,261)</u>
Deferred income and social contribution taxes	<u>(18,117)</u>	<u> 39,977</u>
Total income and social contribution taxes	<u>(305,279)</u>	<u>(192,284)</u>

b. *Deferred income and social contribution taxes affecting the results were calculated as follows:*

	2004	2003
Deferred income and social contribution taxes		
Additions/(exclusions):		
Market adjustment Circulars 3068 and 3082	(19,235)	35,712
Reversal of excess depreciation	1,118	4,182
Foreign exchange variations	_____ -	_____ 83
Deferred income and social contribution taxes for the year	<u>(18,117)</u>	<u> 39,977</u>
Tax credit		
Additions/(exclusions):		
Market adjustment Circulars 3068 and 3082	-	(76)
Allowance for loan losses	8,412	39,956
Tax loss and negative social contribution basis	(5,613)	(22,640)
Provision for tax and labor contingencies	2,628	(14,873)
Other provisions	(912)	912
Others	_____ -	_____ (1)
Deferred tax asset for the year	<u> 4,515</u>	<u> 3,278</u>

c. *Deferred income and social contribution taxes*

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	2004	2003
Assets (Other receivables - Other)		
Opening balance	78,861	75,582
Market adjustment Circulars 3068 and 3082	-	(76)
Allowance for loan losses	8,412	39,956
Tax loss and negative social contribution basis	(5,613)	(22,640)
Provision for tax and labor contingencies	2,628	(14,873)
Other provisions	(912)	912
Closing balance	<u>83,376</u>	<u>78,861</u>
	2004	2003
Liabilities (Other liabilities - Tax and social security)		
Opening balance	149,753	189,730
Market adjustment Circulars 3068 and 3082	19,235	(35,712)
Excess depreciation	(1,118)	(4,182)
Deferred exchange variation	-	(83)
Closing balance	<u>167,870</u>	<u>149,753</u>

d. Estimated realization

	2005	2006	2008	Total
Tax loss and negative social contribution basis	965	-	-	965
Allowance for loan losses	59,512	19,807	-	79,319
Provision for tax and labor contingencies	-	-	<u>3,092</u>	<u>3,092</u>
Total	<u>60,477</u>	<u>19,807</u>	<u>3,092</u>	<u>83,376</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

17 Related parties - Bank

Transactions between related parties were performed under normal market conditions and are represented as follows:

	2004	2003
Assets:		
Money market	-	900
Interbank deposits	4,526,573	2,793,160
Securities and derivative financial instruments	425,273	168,720
Dividends and bonuses receivable	4,819	5,325
Amounts receivable from related companies	591	8,970
Other	-	1,500
Liabilities:		
Demand deposits	1,590	822
Interbank deposits	698,002	316,589
Time deposits	28,512	487,886
Linked to Transfers to Borrowers	54,693	-
Money market repurchase commitments	238,908	-
Derivative financial instruments	36,056	152,086
Due in connection with securities dealings	587	-
Other liabilities	-	224
Results:		
Money market income	18	70,376
Income from interbank deposits	692,113	499,204
Results from derivative financial instruments	529,356	80,513
Service fee income	5,898	5,545
Expenses from borrowings and repasses	(3,651)	(641)
Expenses from interbank deposits	(87,716)	(13,205)
Expenses from time deposits	(59,167)	(76,808)
Expenses from obligations for securities abroad	-	(3,521)
Money market funding	(8,629)	-
Administrative expenses	19	47

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

18 Other information

- a. Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. manages various financial investment funds and shares, whose net equity amounted to R\$ 13,532,611 (2003 - R\$ 12,330,154). Income from managing these funds was R\$ 40,664 (2003 - R\$ 47,270) and has been recorded to “Service Fee Income”.
- b. In Consolidated, prepaid expenses recorded to current and long-term assets represent, basically, commissions of R\$ 166,309 (2003 - R\$109,677) paid to traders acting as intermediaries for financing and leasing operations.
- c. Sureties and guarantees provided amount to R\$ 642,176 (2003 - R\$ 507,710) and have been recorded to memorandum accounts.
- d. Other operating income refers mainly to income from share loan contracts of R\$ 20,399 (2003 - R\$ 6,516). In consolidated, other operating income refers to income from share loan contracts of R\$ 20,399 (2003 - R\$ 6,516), monetary updating of Assets amounting to R\$ 2,624 (2003 - R\$ 1,831) and reversal of operating provisions amounting to R\$ 3,531.
- e. Other operating expenses in Banco Votorantim S.A. refer mainly to monetary updating of the provision for tax risks in the amount R\$ 22,077 (2003 - R\$ 33,688) and foreign exchange variation of investments in the Nassau branch abroad in the amount of R\$ 136,661 (2003 - R\$ 117,192). In Consolidated they refer mainly to commissions paid to traders acting as intermediaries for financing and leasing operations R\$ 182,318 (2003 - R\$ 122,648) and monetary updating of the tax risk and taxes payable in the amount of R\$ 23,780 (2003 - R\$ 33,688).
- f. Tax expenses refer mainly to PIS (Social Integration Program), calculated at the rate of 0.65%, and COFINS (Contribution for Social Security Financing), calculated at the rate of 4% on operating income.
- g. The lease contracts have clauses for non-cancellation, purchase options, prefixed interest and monetary variation or periodic renegotiation of interest rates. The insurance of leased property is made with a benefit clause in favor of the Bank.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- h.** Banco Votorantim S.A. and its subsidiaries have legally questioned the payment of certain taxes. The decision with respect to provisions for these taxes takes into consideration the possibility of success, supported by the external lawyers' opinion. The provisions have been recorded to "Other liabilities - Tax and social security" in current liabilities and amount to R\$ 6,607 (2003 - R\$ 6,072) in Banco Votorantim S.A., and R\$ 10,069 (2003 - R\$ 6,647) in consolidated. For the proceedings for which the Bank has received a favorable outcome, but which are still at the appeal phase with the Federal Government, the amounts being disputed have been recorded to "Taxes and contributions payable" (see Note 14c), until the final court decision. The judicial deposits made are classified in "Other Receivables" in noncurrent assets, in the amount of R\$ 3,168 (2003 - R\$ 215) in Banco Votorantim S.A. and R\$ 7,596 (2003 - R\$ 5.794) in Consolidated.

On July 25, 2003, the Bank officially registered with the Federal Revenue Department its adherence to the Special Program for Payment in Installments (PAES), established by Law 10684/03 of the Federal Government. Adhesion to the program enables the payment in installments of PIS, referring to the period from January 2000 to January 2003, which was being legally questioned and recorded in a provision for tax risks. The amounts of PIS included in the program were divided into 120 months, calculated based on the limitation of 1.5% of the gross income from financial intermediation, updated based on the variation of the long-term interest rate (TJLP) and reclassified to taxes and contributions payable. The Bank is complying with the conditions of the aforementioned program not only with respect to the payment of the payments in installments but also with respect to the collection of the other taxes due monthly.

Bank

Principal and fine updated on the date of adhesion	Update - TJLP	Amortization	Balance at December 31, 2004
13,220	149	2,132	11,237

Consolidated

Principal and fine updated on the date of adhesion	Update - TJLP	Amortization	Balance at December 31, 2004
18,392	212	3,002	15,602

- i.** Banco Votorantim S.A. and its subsidiaries are parties to various civil and labor proceedings, resulting from the normal course of their operational activities. The provisions recorded take into consideration the nature of the claims filed, the opinion of the legal advisors and the

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

position taken by the courts in the past for proceedings of the same nature. The balance for the provision at December 31, 2004 was R\$ 535 (2003 - R\$ 535) for Banco Votorantim S.A. and R\$ 7,511 (2003 - R\$ 1,661) in consolidated. The aforementioned balance is classified under Other obligations - Other, in current liabilities, and the judicial deposits are classified under Other receivable, in long term assets, amounting to R\$ 57 (2003 - R\$ 51), for Banco Votorantim S.A. and R\$ 455 (2003 - R\$ 143) in Consolidated.

- j.** Banco Votorantim S.A. calculates its minimum shareholders' equity limits required upon consolidation within the parameters provided under Central Bank of Brazil Resolution 2099, of August 17, 1994 and subsequent rules. The ratio between shareholders' equity calculated in Consolidated and total weighted assets is 17.47% (2003 - 22.12%).