



Banco Votorantim S.A.

Financial statements
December 31, 2005 and 2004

(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, 2005 and 2004

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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. ("Bank") and the consolidated balance sheets of the Bank and its subsidiaries ("Consolidated") as of December 31, 2005 and 2004 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, 2005 and 2004, 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, 2006

KPMG Auditores Independentes
CRC 2SP014428/O-6

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

Banco Votorantim S.A.

Balance sheets

December 31, 2005 and 2004

(In thousands of Reais)

	Bank		Consolidated			Bank		Consolidated	
	2005	2004	2005	2004		2005	2004	2004	2003
Assets					Liabilities				
Current assets	38,903,725	30,920,150	37,028,544	30,730,614	Current liabilities	27,494,821	25,703,765	27,483,452	25,298,764
Bank and cash	7,462	5,803	26,244	19,750	Deposits	10,682,364	7,948,181	10,546,541	7,492,558
Interbank funds applied	19,133,442	16,431,927	11,936,777	12,609,379	Demand deposits	53,748	44,741	67,024	53,662
Money market	10,657,623	11,247,478	10,627,372	11,247,478	Interbank deposits	1,831,307	1,949,127	1,651,509	1,454,147
Interbank deposits	8,430,982	4,911,271	1,264,568	1,088,723	Time deposits	8,797,050	5,954,313	8,827,749	5,984,749
Foreign currency deposits	44,837	273,178	44,837	273,178	Other deposits	259	-	259	-
Securities and derivative financial instruments	14,760,096	11,736,178	15,155,472	12,192,550	Money market repurchase commitments	10,855,176	12,402,868	10,551,338	12,186,668
Own portfolio	6,176,143	5,078,077	6,397,215	5,538,598	Own portfolio	2,887,406	2,261,126	2,583,568	2,283,834
Subject to repurchase commitments	2,692,703	2,787,774	2,727,758	2,787,774	Third party portfolio	7,967,770	10,141,742	7,967,770	9,902,834
Derivative financial instruments	1,471,058	1,097,384	1,547,064	1,047,705	Acceptances and endorsements	4,044	1,309,909	4,044	1,304,620
Deposited with the Central Bank	1,932,905	1,218,482	1,932,905	1,218,482	Liabilities from overseas securities	4,044	1,309,909	4,044	1,304,620
Subject to guarantees provided	2,487,287	1,554,461	2,550,530	1,599,991	Interbranch accounts	4,787	8,868	4,819	8,870
Interbank accounts	1,095,348	722,334	1,095,348	722,334	Third party funds in transit	4,787	8,868	4,787	8,868
Collections in transit	-	145	-	145	Internal transfers of funds	-	-	32	2
Deposits with the Central Bank	1,095,111	722,018	1,095,111	722,018	Borrowings and repasses	1,285,683	991,330	1,285,714	991,749
Correspondents	237	171	237	171	Overseas borrowings	670,883	515,428	670,883	515,428
Loans	2,003,292	958,855	6,363,268	3,769,078	Domestic repasses - Official institutions	614,800	475,902	614,831	476,321
Loans - Public sector	13,064	117	13,064	117	Derivative financial instruments	2,756,779	1,453,392	2,837,449	1,478,725
Loans - Private sector	1,076,136	361,497	1,309,050	474,155	Derivative financial instruments	2,756,779	1,453,392	2,837,449	1,478,725
Financing - Private sector	714,619	482,310	4,971,880	3,278,637	Other liabilities	1,905,988	1,589,217	2,253,547	1,835,574
Financing - Rural and Agricultural-Industrial	113,047	20,181	113,047	20,181	Foreign exchange portfolio	815,433	891,307	815,433	891,307
Financing - Securities	103,318	98,447	103,318	98,447	Social and statutory	116,167	83,200	174,703	119,783
Allowance for loan losses	(16,892)	(3,697)	(147,091)	(102,459)	Taxes and social security	639,400	528,752	852,366	688,933
Lease operations	-	-	9,519	8,540	Due in connection with securities dealings	91,921	58,413	125,416	72,897
Leases receivable - private sector	-	-	34,231	30,239	Other	243,067	27,545	285,629	62,654
Unearned lease income	-	-	(14,541)	(11,087)	Long-term liabilities	14,696,953	7,735,088	14,389,814	7,973,803
Allowance for lease losses	-	-	(10,171)	(10,612)	Deposits	10,262,117	5,786,406	9,845,365	5,586,482
Other receivables	1,899,685	1,056,603	2,221,733	1,271,310	Interbank deposits	2,637,271	833,042	2,224,665	630,020
Foreign exchange portfolio	1,049,598	922,819	1,049,598	922,819	Time deposits	7,624,846	4,953,364	7,620,700	4,956,462
Income receivable	6,808	6,971	5,915	5,581	Money market repurchase commitment	60,718	798,761	65,385	802,679
Securities clearing accounts	421,203	71,748	447,388	80,575	Own portfolio	60,718	798,761	65,385	802,679
Other	426,161	55,944	722,917	263,214	Acceptances and endorsements	234,070	-	234,070	-
Provision for doubtful receivable	(4,085)	(879)	(4,085)	(879)	Liabilities from overseas securities	234,070	-	234,070	-
Other assets	4,400	8,450	220,183	137,673	Borrowings and repasses	2,530,125	695,988	2,530,143	696,042
Other assets	-	-	19,179	12,790	Domestic borrowings	48,096	-	48,096	-
Prepayments	4,400	8,450	201,004	124,883	Overseas borrowings	1,327,436	168,266	1,327,436	168,266
Long-term assets	5,597,337	4,344,028	8,935,819	5,771,127	Domestic repasses - Official institutions	1,154,593	527,722	1,154,611	527,776
Interbank funds applied	873,744	744,596	786,531	110,162	Derivative financial instruments	1,599,241	204,092	1,560,440	577,745
Interbank deposits	873,744	744,596	786,531	110,162	Derivative financial instruments	1,599,241	204,092	1,560,440	577,745
Securities and derivative financial instruments	2,355,855	2,121,790	2,262,894	2,241,615	Other liabilities	10,682	249,841	154,411	310,855
Subject to repurchase commitments	570,041	807,186	570,041	807,186	Taxes and social security	10,682	-	154,411	60,216
Derivative financial instruments	1,785,814	1,314,604	1,692,853	1,434,429	Due in connection with securities dealings	-	249,841	-	249,841
Loans	2,351,401	1,421,480	5,302,749	3,124,877	Other	-	-	-	798
Loans - Public sector	155,688	54,371	155,688	54,371	Deferred income	18,324	2,429	18,324	2,429
Loans - Private sector	604,855	573,453	780,856	596,927	Minority interest	-	-	113,633	197,893
Financing - Private sector	1,571,304	470,631	4,390,090	2,177,916	Shareholders' equity	4,034,887	3,086,093	4,034,887	3,086,093
Financing - Rural and Agricultural-Industrial	32,774	77,891	32,774	77,891	Capital:				
Financing - Securities	-	249,827	-	249,827	Domestic	2,380,000	1,750,250	2,380,000	1,750,250
Allowance for loan losses	(13,220)	(4,693)	(56,659)	(32,055)	Capital increase	-	129,750	-	129,750
Lease operations	-	-	13,582	7,674	Capital reserves	13,826	5,760	13,826	5,760
Leases receivable - private sector	-	-	28,765	16,281	Revenue reserves	1,587,782	1,147,054	1,587,782	1,147,054
Unearned Lease income	-	-	(14,993)	(8,468)	Retained earnings	53,279	53,279	53,279	53,279
Allowance for lease losses	-	-	(190)	(139)	Permanent assets	1,743,923	1,263,197	75,747	57,241
Other receivables	16,337	55,012	458,742	230,597	Investments	1,730,369	1,251,053	26,659	20,316
Securities clearing accounts	-	48,467	-	48,467	Domestic subsidiaries and affiliates	1,711,764	1,230,004	-	-
Other	16,337	6,545	458,742	182,130	Investment in overseas subsidiary	4,773	8,317	-	-
Other assets	-	1,150	111,321	56,202	Other investments	13,832	12,732	26,659	20,316
Prepayments	-	1,150	111,321	56,202	Property, plant and equipment	11,326	10,709	32,287	26,762
Permanent assets	1,743,923	1,263,197	75,747	57,241	Other fixed assets for use	29,572	25,874	64,660	51,969
Investments	1,730,369	1,251,053	26,659	20,316	Accumulated depreciation	(18,246)	(15,165)	(32,373)	(25,207)
Domestic subsidiaries and affiliates	1,711,764	1,230,004	-	-	Deferred charges	2,228	1,435	16,801	10,163
Investment in overseas subsidiary	4,773	8,317	-	-	Organization and expansion expenses	8,467	7,117	33,908	23,002
Other investments	13,832	12,732	26,659	20,316	Accumulated amortization	(6,239)	(5,682)	(17,107)	(12,839)
Property, plant and equipment	11,326	10,709	32,287	26,762		46,244,985	36,527,375	46,040,110	36,558,982
Other fixed assets for use	29,572	25,874	64,660	51,969					
Accumulated depreciation	(18,246)	(15,165)	(32,373)	(25,207)					
Deferred charges	2,228	1,435	16,801	10,163					
Organization and expansion expenses	8,467	7,117	33,908	23,002					
Accumulated amortization	(6,239)	(5,682)	(17,107)	(12,839)					
	46,244,985	36,527,375	46,040,110	36,558,982					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Years ended December 31, 2005 and 2004 and second semester of 2005

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

	Bank		Consolidated		
	Years		Years		
	2nd semester	2005	2004	2005	2004
Financial operations income	3,120,090	5,516,820	4,372,963	7,065,883	5,436,091
Loans	257,562	343,365	254,072	2,873,457	1,963,161
Leasing	-	-	-	19,492	25,096
Securities	2,328,252	4,282,980	3,989,672	3,238,284	3,328,260
Derivative financial instruments	446,960	736,708	(77,561)	780,883	(87,206)
Foreign exchange operations	-	-	107,221	-	107,221
Compulsory investments	87,316	153,767	99,559	153,767	99,559
Financial operations expenses	(2,722,156)	(4,804,986)	(3,470,788)	(4,842,516)	(3,500,502)
Deposits, money market and interbank funds	(2,465,093)	(4,297,768)	(3,349,743)	(4,297,721)	(3,317,610)
Borrowings, assignments and repasses	(144,272)	(334,009)	(133,474)	(192,803)	(56,426)
Leasing	-	-	-	(14,349)	(23,302)
Foreign exchange operations	(100,471)	(147,543)	-	(147,543)	-
Allowance for loan losses	(12,320)	(25,666)	12,429	(190,100)	(103,164)
Gross income from financial operations	397,934	711,834	902,175	2,223,367	1,935,589
Other operating income/(expenses)	267,573	320,278	22,034	(926,151)	(783,336)
Service income	20,802	30,215	37,373	74,017	84,912
Personnel expenses	(26,222)	(53,451)	(64,121)	(172,436)	(120,625)
Other administrative expenses	(26,530)	(52,826)	(51,978)	(290,022)	(261,830)
Tax expenses	43,629	37,267	(59,526)	(43,079)	(114,149)
Equity in earnings of subsidiaries	282,018	517,121	296,802	-	-
Other operating income	1,320	5,856	55,692	9,246	36,512
Other operating expenses	(27,444)	(163,904)	(192,208)	(503,877)	(408,156)
Operating results	665,507	1,032,112	924,209	1,297,216	1,152,253
Nonoperating results	(20)	(15)	(30)	(718)	(3,467)
Income before taxation and profit sharing	665,487	1,032,097	924,179	1,296,498	1,148,786
Income tax and social contribution	(187,168)	(195,784)	(142,346)	(377,831)	(300,764)
Provision for income tax	(173,705)	(261,246)	(98,851)	(401,883)	(218,644)
Provision for social contribution	(62,533)	(94,049)	(38,762)	(146,396)	(86,635)
Deferred income tax and social contribution	49,070	159,511	(4,733)	170,448	4,515
Profit sharing	(17,575)	(30,553)	(40,966)	(106,389)	(85,626)
Net profit before minority interest	460,744	805,760	740,867	812,278	762,396
Minority interest	-	-	-	(6,518)	(21,529)
Net profit for the semester/year	460,744	805,760	740,867	805,760	740,867
Net profit per lot of one thousand shares - R\$	7.71	13.49	14.34		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2005 and 2004 and second semester of 2004

(In thousands of Reals)

	Capital reserves				Revenue reserves		Retained earnings	Total
	Capital	Capital increase	Allocation to investments	Revaluation of membership certificates	Legal	Expansion		
Balances at December 31, 2003	1,500,250	-	2,080	2,412	72,596	561,351	53,279	2,191,968
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
Distribution 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>
Distribution of Dividends	-	-	-	-	-	(170,705)	-	(170,705)
Capital increase	629,750	(129,750)	-	-	-	-	-	500,000
Constitution of reserve								
Allocation to investment	-	-	-	1,116	-	-	-	1,116
Tax incentives	-	-	6,950	-	-	-	-	6,950
Net profit for year	-	-	-	-	-	-	805,760	805,760
Distribution of net profit:								
Legal reserve	-	-	-	-	40,288	-	(40,288)	-
Expansion reserve	-	-	-	-	-	571,145	(571,145)	-
Interest on shareholder's equity	-	-	-	-	-	-	(145,885)	(145,885)
Distribution of Dividends	-	-	-	-	-	-	(48,442)	(48,442)
Balances at December 31, 2005	<u>2,380,000</u>	<u>-</u>	<u>9,030</u>	<u>4,796</u>	<u>149,927</u>	<u>1,437,855</u>	<u>53,279</u>	<u>4,034,887</u>
Balances at June 30, 2005	1,880,000	-	9,030	4,358	126,890	866,710	235,159	3,122,147
Capital increase	500,000	-	-	-	-	-	-	500,000
Constitution of reserve								
Allocation to investments	-	-	-	438	-	-	-	438
Net profit for the semester	-	-	-	-	-	-	460,744	460,744
Distribution of net profit:								
Legal reserve	-	-	-	-	23,037	-	(23,037)	-
Expansion reserve	-	-	-	-	-	571,145	(571,145)	-
Interest on shareholders' equity	-	-	-	-	-	-	(48,442)	(48,442)
Balances at December 31, 2005	<u>2,380,000</u>	<u>-</u>	<u>9,030</u>	<u>4,796</u>	<u>149,927</u>	<u>1,437,855</u>	<u>53,279</u>	<u>4,034,887</u>

See the accompanying notes to the financial statement:

Banco Votorantim S.A.

Statements of changes in financial position

Years ended December 31, 2005 and 2004 and second semester of 2005

(In thousands of Reais)

	Bank		Consolidated		
	Years		Years		
	2nd semester	2005	2004	2005	2004
Sources of funds	10,009,404	13,124,612	12,704,728	13,301,557	12,613,183
Net profit for the semester/year	460,744	805,760	740,867	805,760	740,867
Adjustments to net profit	(70,370)	(333,391)	(292,585)	11,999	8,340
Depreciation and amortization	1,983	3,896	4,217	11,999	8,340
Results from investments in subsidiaries	(72,353)	(337,287)	(296,802)	-	-
Minority interest	-	-	-	(84,260)	5,907
Funds from shareholders	500,000	500,000	379,750	500,000	379,750
Capital payment	500,000	500,000	379,750	500,000	379,750
Variation in deferred income	15,260	15,895	1,116	15,895	1,108
Reserves	438	8,066	1,268	8,066	1,268
Allocation to investments	438	1,116	1,268	1,116	1,268
Tax incentives	-	6,950	-	6,950	-
Third party funds originating from:	9,103,332	12,128,282	11,874,312	12,044,097	11,475,943
Increase in liabilities	9,092,283	12,114,532	11,854,959	12,043,880	11,474,427
Deposits	4,558,786	7,209,894	4,252,418	7,312,866	4,277,367
Money market repurchase commitments	2,356,952	-	5,699,660	-	5,170,177
Interbank accounts	-	-	8,812	-	8,814
Interbranch accounts	4,201	-	-	-	-
Borrowings and repasses	1,850,897	2,128,490	777,687	2,128,067	777,124
Derivative financial instruments	134,027	2,698,536	595,006	2,341,419	643,344
Other liabilities	187,420	77,612	521,376	261,528	597,601
Decrease in assets	5,548	5,200	9,571	-	863
Lease operations	-	-	-	-	863
Other assets	5,548	5,200	9,571	-	-
Disposal of assets and investments	51	105	63	217	653
Investments	20	20	-	20	-
Other fixed assets for use	31	85	63	197	244
Operational lease assets	-	-	-	-	409
Dividends	5,450	8,445	9,719	-	-
Application of funds	10,120,903	13,122,953	12,701,992	13,295,063	12,608,992
Distribution of dividends	48,442	219,147	-	219,147	-
Interest on shareholders' equity	-	145,885	227,760	145,885	227,760
Variation in	186,360	155,885	8,149	30,722	35,884
Investments	183,312	150,494	3,593	6,363	5,375
Property, plant and equipment	2,270	4,042	3,167	13,455	18,966
Deferred charges	778	1,349	1,389	10,904	11,543
Increase in assets	9,116,343	9,240,425	11,723,703	9,456,128	11,597,679
Interbank funds applied	6,745,818	2,830,663	6,489,978	3,767	4,646,774
Securities	289,420	3,257,983	3,626,571	2,984,201	3,330,110
Interbank accounts	262,919	373,014	195,804	373,014	195,804
Loans	1,458,506	1,974,358	1,176,748	4,772,062	2,864,858
Lease operations	-	-	-	6,888	-
Other receivables	359,680	804,407	234,602	1,178,567	502,809
Other assets	-	-	-	137,629	57,324
Decrease in liabilities	769,758	3,361,611	742,380	3,443,181	747,669
Money market repurchase commitments	-	2,285,735	-	2,372,624	-
Acceptances and endorsements	764,258	1,071,795	742,380	1,066,506	747,669
Interbranch accounts	-	4,081	-	4,051	-
Interbank accounts	5,500	-	-	-	-
Increase (decrease) in net working capital	(111,499)	1,659	2,736	6,494	4,191
Statement of changes in net working capital					
Bank and cash					
At beginning of semester/year	118,961	5,803	3,067	19,750	15,559
At end of semester/year	7,462	7,462	5,803	26,244	19,750
Increase (decrease) in net working capital	(111,499)	1,659	2,736	6,494	4,191

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Years ended December 31, 2005 and 2004

(In thousands of Reais)

1 Operations

The operating activities of Banco Votorantim S.A. and its subsidiaries refer mainly to operations on the financial market, operating as a multiple bank with commercial, loan, 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 the 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	
	2005	2004
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
Directly controlled subsidiary 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 or available for sale should be valued and recorded at market value, and the difference, when compared to corrected cost, recognized to the results for the period or in a specific shareholders' equity account respectively. 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 a corresponding entry to the appropriate income or expense account in the results for the year.
- For derivative financial instruments classified as cash flow hedge, the effective hedge amount should be recorded as a 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.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

If derivative financial instruments 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

	2005	2004
Net income for the year before adjustments	785,452	869,214
Effect of the adjustments:		
Securities portfolio	(35,228)	(218,891)
Liabilities from overseas securities	-	43,472
Derivative financial instruments	66,030	(19,044)
Other adjustments	(32)	(44)
Income tax and social contribution	<u>(10,462)</u>	<u>66,160</u>
Net income for the year after adjustments	<u>805,760</u>	<u>740,867</u>

Consolidated

	2005	2004
Net income for the year before adjustments	589,931	703,532
Effect of the adjustments:		
Securities portfolio	(66,867)	(219,157)
Financing portfolio	324,020	251,131
Derivative financial instruments	70,400	(20,256)
Liabilities from overseas securities	-	43,472
Dept assumption contract	(506)	1,380
Other adjustments	(32)	(44)
Income tax and social contribution	<u>(111,186)</u>	<u>(19,191)</u>
Net income for the year after adjustments	<u>805,760</u>	<u>740,867</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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 Central Bank of Brazil norms.

Tax credits are recognized related basically to the allowance for loan losses, tax loss and negative social contribution basis.

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.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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, derivative financial instruments and unearned result of derivative financial instruments, using the same rates as the current tax.

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 to market value of the securities, and derivative financial instruments, of the loan portfolio and unearned result of derivative financial instruments, at the rate of 15%, with the addition of an extra 10%, and 9%, respectively.

5 Interbank funds applied

It comprises interbank deposits remunerated at post fixed and pre fixed rates, maturing by September 2010, amounting to R\$ 9,304,726 (2004 - R\$ 5,655,867) for Banco Votorantim S.A., and R\$ 2,051,099 (2004 - R\$ 1,198,885), in Consolidated; investments on the money market tied to public securities, amounting to R\$ 10,657,623 (2004 - R\$ 11,247,478) for Banco Votorantim and R\$ 10,627,372 (2004 - R\$ 11,247,478) in Consolidated and foreign currency deposits of R\$ 44,837 (2004 R\$ 273,178) 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.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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.

Based on the financial ability of Banco Votorantim S.A., Management intends to hold securities to maturity, which are valued at cost of acquisition plus income earned corresponding to the results for the year, in accordance with Central Bank of Brazil Circular 3068/2001.

Banco Votorantim S.A.

Notes to the financial statements

(in thousands of Reais)

		2005								2004	
Bank											
Trading				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	Total	Market value	
NTN-A	69,392	83,344	13,952	-	-	-	-	83,344	83,344	107,167	
NTN-B	1,219,463	1,212,653	(6,810)	-	371,945	494,817	248,167	97,724	1,212,653	757,814	
NTN-C	806,266	790,891	(15,375)	-	1,830	789,061	-	-	790,891	1,727,956	
NTN-D	106,349	118,871	12,522	24,821	24,205	69,845	-	-	118,871	267,270	
NTN-F	755,845	768,899	13,054	-	-	21,322	682,987	64,590	768,899	-	
NBC-E	-	-	-	-	-	-	-	-	-	725	
LFT	897	899	2	-	899	-	-	-	899	124,484	
LTN	4,025,307	4,024,932	(375)	1,389,083	2,186,101	449,748	-	-	4,024,932	2,350,013	
Mortgage bill	11,841	11,841	-	-	11,841	-	-	-	11,841	12,043	
Debentures	1,036,305	1,122,568	86,263	-	3,645	26,526	283,722	808,675	1,122,568	970,582	
Eurobonds/Bradies	3,063,673	3,063,673	-	244,261	4,761	549,768	1,224,480	1,040,403	3,063,673	2,417,133	
CDB	896,771	896,771	-	11,696	294,362	23,457	567,256	-	896,771	-	
TDA	20,138	20,138	-	-	3,255	10,674	6,201	8	20,138	-	
C Bond	-	-	-	-	-	-	-	-	-	715,605	
Shares	89,427	97,370	7,943	97,370	-	-	-	-	97,370	406,348	
Investment funds	953,519	953,519	-	953,519	-	-	-	-	953,519	644,179	
Total	13,055,193	13,166,369	111,176	2,720,750	2,902,844	2,435,218	3,012,813	2,094,744	13,166,369	10,501,319	
Held to maturity				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	Total	Market value	
Eurobonds (Nassau branch)	692,710	708,306	15,596	122,669	-	570,041	-	-	692,710	944,661	
Total	692,710	708,306	15,596	122,669	-	570,041	-	-	692,710	944,661	
		2005								2004	
Consolidated											
Trading				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	Total	Market value	
NTN-A	262,800	344,863	82,063	-	-	-	-	344,863	344,863	443,438	
NTN-B	1,219,463	1,212,653	(6,810)	-	371,945	494,817	248,167	97,724	1,212,653	757,814	
NTN-C	806,266	790,891	(15,375)	-	1,830	789,061	-	-	790,891	1,727,956	
NTN-D	107,617	120,165	12,548	24,821	24,205	71,139	-	-	120,165	268,658	
NTN-F	755,845	768,899	13,054	-	-	21,322	682,987	64,590	768,899	-	
NBC-E	25,962	28,706	2,744	-	28,706	-	-	-	28,706	35,772	
LFT	897	899	2	-	899	-	-	-	899	125,023	
LTN	4,025,307	4,024,932	(375)	1,389,083	2,186,101	449,748	-	-	4,024,932	2,350,013	
Mortgage bill	11,841	11,841	-	-	11,841	-	-	-	11,841	12,043	
Debentures	1,036,305	1,122,568	86,263	-	3,645	26,526	283,722	808,675	1,122,568	970,582	
Eurobonds/Bradies	3,090,514	3,090,514	-	244,261	4,761	549,768	1,224,480	1,067,244	3,090,514	2,549,939	
CDB	897,781	897,781	-	12,706	294,362	23,457	567,256	-	897,781	-	
TODA	20,138	20,138	-	-	3,255	10,674	6,201	8	20,138	-	
C Bond	-	-	-	-	-	-	-	-	-	715,605	
Shares	89,427	97,370	7,943	97,370	-	-	-	-	97,370	406,348	
Investment funds	953,519	953,519	-	953,519	-	-	-	-	953,519	644,179	
Total	13,303,682	13,485,739	182,057	2,721,760	2,931,550	2,436,512	3,012,813	2,383,104	13,485,739	11,007,370	
Held to maturity				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	Total	Market value	
Eurobonds (Nassau branch)	692,710	708,306	15,596	122,669	-	570,041	-	-	692,710	944,661	
Total	692,710	708,306	15,596	122,669	-	570,041	-	-	692,710	944,661	

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

7 Derivative financial instruments

The Votorantim Financial Group 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 “Value at Risk” methodology 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\$ 3,166,321 (2004 - R\$ 2,184,668) and the amounts payable are R\$ 652,776 (2004 - R\$ 797,632) and have been recorded to derivative financial instruments for Banco Votorantim S.A. In Consolidated, the amounts receivable are R\$ 3,149,366 (2004 - R\$ 2,254,814) and the amounts payable are R\$ 694,645 (2004 - R\$ 1,197,067).

The amounts receivable for sales of forward shares are R\$ 55,416 (2004 - R\$ 113,033), in Banco Votorantim S.A. and in Consolidated. Amounts payable for forward share acquisitions to be delivered are R\$ 60,420 (2004 - R\$ 118,076), in Banco Votorantim S.A. and in Consolidated.

The amounts received for box contracts of funding options are R\$ 3,592,984 (2004 - R\$ 552,135), and are recorded in derivative financial instruments in Banco Votorantim S.A. and in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The premiums paid on option contracts acquired amount to R\$ 35,135 (2004 - R\$ 109,624) and premiums received from option contracts launched amount to R\$ 49,840 (2004 - R\$ 122,287) 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\$ 188,363 (2004 - R\$ 78,123), in assets, and R\$ 21,856 (2004 - R\$ 106,068), in liabilities, for Banco Votorantim S.A., and R\$ 188,363 (2004- R\$ 78,123) in assets and R\$ 22,583 (2004 - R\$ 105,617) in liabilities in Consolidated are recorded to Securities Clearing Accounts.

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\$ 1,215,530 (2004 - R\$ 1,311,046), for Banco Votorantim S.A., and R\$ 1,521,378 (2004 - R\$ 1,828,986) in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Bank

Type Swap	2005										2004	
	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					Total	Original value of contract	Values/premiums to receive (received) to pay (paid) Market value
					Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years			
DI	3,508,409	5,422,201	5,305,041	(117,160)	(926,682)	1,577,405	4,222,179	656,317	(224,178)	5,305,041	8,238,611	9,132,894
Dollar	(4,899,558)	(4,002,940)	(3,825,090)	177,850	(708,312)	(762,507)	(2,410,298)	(198,113)	254,140	(3,825,090)	(7,527,891)	(7,007,784)
Yen	(12,990)	272	273	1	66	354	676	(823)	-	273	-	-
Euro	-	-	-	-	-	-	-	-	-	-	2,876	2,953
IGPM	(537,803)	(674,024)	(657,521)	16,503	240,231	(293,229)	(676,241)	5,554	66,164	(657,521)	(1,480,769)	(1,625,835)
IPCA	(210,000)	(178,761)	(178,579)	182	-	(220,520)	41,941	-	-	(178,579)	255,000	304,602
Fixed	2,170,235	1,890,298	1,889,376	(922)	1,581,889	468,060	150,114	(276,172)	(34,515)	1,889,376	512,173	580,206
TRM	(15,000)	(15,760)	(16,314)	(554)	-	-	(16,314)	-	-	(16,314)	-	-
TJLP	(3,293)	(3,645)	(3,641)	4	(177)	(3,464)	-	-	-	(3,641)	-	-
Total	-	2,437,641	2,513,545	75,904	187,015	766,099	1,312,057	186,763	61,611	2,513,545	-	1,387,036

Futures

DDI	139,947	(14,172)	(14,172)	-	(439,933)	1,792,077	1,931,206	(1,591,349)	(1,552,054)	139,947	3,190,333	(25,559)
Dollar	2,466,122	2,733	2,733	-	3,578,048	(1,304,598)	192,672	-	-	2,466,122	2,075,863	(15,023)
IND	234,226	839	839	-	187,602	46,624	-	-	-	234,226	(246,262)	221
DI	(9,626,207)	(1,193)	(1,193)	-	(6,336,803)	(1,890,351)	(945,563)	(420,752)	(32,738)	(9,626,207)	(10,427,886)	(2,429)
Euro	(4,706)	(119)	(119)	-	(4,706)	-	-	-	-	(4,706)	226,883	(37,029)
Fixed	496,951	178,419	178,419	-	257,477	239,474	-	-	-	496,951	(212,697)	51,874
Total	(6,293,667)	166,507	166,507	-	(2,758,315)	(1,116,774)	1,718,315	(2,012,101)	(1,584,792)	(6,293,667)	(5,393,766)	27,945

Options

Shares	(38,520)	(2,422)	(2,365)	57	(38,220)	(300)	-	-	-	(38,520)	(10,723)	(6,707)
Br exit	(81,925)	(603)	(603)	-	-	-	(81,925)	-	-	(81,925)	(92,904)	(682)
Dollar	402,000	(6,269)	(10,397)	(4,128)	497,400	(123,400)	28,000	-	-	402,000	663,075	(8,026)
DI	(815,650)	(1,247)	(2,151)	(904)	(815,650)	-	-	-	-	(815,650)	427,980	3,292
Flexible	(334,052)	811	811	-	(334,052)	-	-	-	-	(334,052)	23,741	479
IND	-	-	-	-	-	-	-	-	-	-	(26,550)	(1,105)
Fixed	-	-	-	-	-	-	-	-	-	-	132,720	86
Total	(868,147)	(9,730)	(14,705)	(4,975)	(690,522)	(123,700)	(53,925)	-	-	(868,147)	1,117,339	(12,663)

Other derivatives

Box of options	-	(3,592,984)	(3,592,984)	-	(2,135,149)	(208,144)	(1,249,591)	-	-	(3,592,984)	-	-
Total	-	(3,592,984)	(3,592,984)	-	(2,135,149)	(208,144)	(1,249,591)	-	-	(3,592,984)	-	-

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Notes to the financial statements

(In thousands of Reais)

Consolidated

Type Swap	2005										2004	
	Original value of contract	Values/premiums to (received) to pay (paid) contracted	Values/premiums to (received) to pay (paid) market	Unrealized profit/(loss)	Maturity rates					Total	Original value of contract	Values/premiums to (received) to pay (paid) Market value
					Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years			
DI	2,947,277	5,497,718	5,381,305	(116,413)	(1,387,475)	1,984,931	4,196,656	685,660	(98,467)	5,381,305	7,519,266	9,073,916
Dollar	(4,247,157)	(4,410,602)	(4,277,225)	133,377	(243,894)	(1,081,847)	(2,555,942)	(497,349)	101,807	(4,277,225)	(6,892,986)	(7,323,942)
Euro	-	-	-	-	-	-	-	-	-	-	2,876	2,953
Yen	(12,990)	(12,155)	(12,119)	36	(1,085)	(2,980)	(7,231)	(823)	-	(12,119)	-	-
IGPM	(537,803)	(673,993)	(657,477)	16,516	240,233	(293,188)	(676,240)	5,554	66,164	(657,477)	(1,480,769)	(1,625,761)
IPCA	(210,000)	(176,218)	(176,039)	179	-	(220,520)	44,481	-	-	(176,039)	255,000	304,601
Fixed	2,078,966	2,187,580	2,216,231	28,651	1,577,914	386,815	255,066	(3,650)	86	2,216,231	596,613	625,980
TJLP	(3,293)	(3,645)	(3,641)	4	(177)	(3,464)	-	-	-	(3,641)	-	-
TRM	(15,000)	(15,760)	(16,314)	(554)	-	-	(16,314)	-	-	(16,314)	-	-
Total	-	2,392,925	2,454,721	61,796	185,516	769,747	1,240,476	189,392	69,590	2,454,721	-	1,057,747
Futures												
DDI	423,484	(14,879)	(14,879)	-	(681,613)	2,317,294	1,931,206	(1,591,349)	(1,552,054)	423,484	3,190,333	(25,559)
Dollar	1,805,966	2,731	2,731	-	3,462,898	(1,849,604)	192,672	-	-	1,805,966	2,075,863	(15,023)
IND	234,226	839	839	-	187,602	46,624	-	-	-	234,226	(246,262)	221
DI	(16,154,302)	(1,211)	(1,211)	-	(7,379,967)	(3,724,148)	(4,469,952)	(547,497)	(32,738)	(16,154,302)	(13,944,756)	(2,429)
Euro	(4,706)	(119)	(119)	-	(4,706)	-	-	-	-	(4,706)	224,161	(36,823)
Pound sterling	-	-	-	-	-	-	-	-	-	-	2,722	245
Fixed	496,951	178,419	178,419	-	257,477	239,474	-	-	-	496,951	(212,697)	51,874
Total	(13,198,381)	165,780	165,780	-	(4,158,309)	(2,970,360)	(2,346,074)	(2,138,846)	(1,584,792)	(13,198,381)	(8,910,636)	(27,494)
Options												
Shares	(38,520)	(2,422)	(2,365)	57	(38,220)	(300)	-	-	-	(38,520)	(10,723)	(6,707)
Br exit	(81,925)	(603)	(603)	-	-	-	(81,925)	-	-	(81,925)	-	-
Dollar	402,000	(6,269)	(10,397)	(4,128)	497,400	(123,400)	28,000	-	-	402,000	663,075	(8,026)
DI	(815,650)	(1,247)	(2,151)	(904)	(815,650)	-	-	-	-	(815,650)	427,980	3,292
Flexible	(334,052)	811	811	-	(334,052)	-	-	-	-	(334,052)	23,741	479
IND	-	-	-	-	-	-	-	-	-	-	(26,550)	(1,105)
Fixed	-	-	-	-	-	-	-	-	-	-	39,816	(596)
Total	(868,147)	(9,730)	(14,705)	(4,975)	(690,522)	(123,700)	(53,925)	-	-	(868,147)	1,117,339	(12,663)
Other derivatives												
Box of options	-	(3,592,984)	(3,592,984)	-	(2,135,249)	(208,144)	(1,249,591)	-	-	(3,592,984)	-	-
Total	-	(3,592,984)	(3,592,984)	-	(2,135,249)	(208,144)	(1,249,591)	-	-	(3,592,984)	-	-

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

	<u>Bank</u>		<u>Consolidated</u>	
	2005	2004	2005	2004
Loans - Public sector	168,752	54,488	168,752	54,488
Loans - Private sector	1,680,991	934,950	2,089,906	1,071,082
Financing - Private sector	2,285,923	952,941	9,361,970	5,456,552
Financing - Rural and Agricultural - Industrial	145,821	98,072	145,821	98,072
Financing - Securities	103,318	348,274	103,318	348,274
Lease operations	-	-	33,462	26,965
Advances on foreign exchange contracts (classified in other receivables and other liabilities)	<u>247,021</u>	<u>45,618</u>	<u>247,021</u>	<u>45,618</u>
Total	<u>4,631,826</u>	<u>2,434,343</u>	<u>12,150,250</u>	<u>7,101,051</u>

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

	<u>Bank</u>		<u>Consolidated</u>	
	2005	2004	2005	2004
Industry	2,123,670	982,723	2,124,761	1,052,773
Commercial	302,359	118,726	911,345	467,706
Rural	145,820	98,072	145,820	98,072
Other services	1,636,266	1,063,182	1,652,306	1,076,713
Financial institutions	2,463	82,125	6,512	82,125
Individuals	<u>421,248</u>	<u>89,515</u>	<u>7,309,506</u>	<u>4,323,662</u>
Total	<u>4,631,826</u>	<u>2,434,343</u>	<u>12,150,250</u>	<u>7,101,051</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	
	2005	2004	2005	2004
Loans overdue				
More than 15 days	1,054	1,754	126,908	96,102
Loans to fall due				
Within 3 months	813,554	458,091	2,183,834	1,405,620
From 3 to 12 months	1,112,846	548,325	4,127,871	2,434,584
From 1 to 3 years	1,765,284	1,172,132	4,670,159	2,878,695
From 3 to 5 years	509,510	179,410	611,900	211,419
From 5 to 15 years	<u>429,578</u>	<u>74,631</u>	<u>429,578</u>	<u>74,631</u>
Total	<u>4,631,826</u>	<u>2,434,343</u>	<u>12,150,250</u>	<u>7,101,051</u>

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

Bank	2005			2004		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
AA	1,975,528	-	1,975,528	1,484,653	-	1,484,653
A	1,274,311	-	1,274,311	631,316	-	631,316
B - Overdue form 15 to 30 days	799,844	738	800,582	178,088	2,144	180,232
C - Overdue from 31 to 60 days	561,041	4,520	565,561	134,475	3,019	137,494
D - Overdue from 61 to 90 days	13,382	747	14,129	479	-	479
E - Overdue from 91 to 120 day	-	221	221	-	44	44
F - Overdue from 121 to 150 days	-	111	111	-	-	-
G - Overdue from 151 to 180 days	166	53	219	-	-	-
H - Overdue more than 180 days	-	<u>1,164</u>	<u>1,164</u>	-	<u>125</u>	<u>125</u>
Total	<u>4,624,272</u>	<u>7,554</u>	<u>4,631,826</u>	<u>2,429,011</u>	<u>5,332</u>	<u>2,434,343</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated Risk level	2005			2004		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
AA	2,353,124	-	2,353,124	1,764,695	-	1,764,695
A	7,538,661	-	7,538,661	4,478,399	-	4,478,399
B - Overdue form 15 to 30 days	814,014	390,357	1,204,371	189,032	210,230	399,262
C - Overdue from 31 to 60 days	570,404	224,331	794,735	145,634	144,324	289,958
D - Overdue from 61 to 90 days	15,083	66,664	81,747	3,383	37,375	40,758
E - Overdue from 91 to 120 day	372	42,935	43,307	185	25,140	25,325
F - Overdue from 121 to 150 days	490	27,618	28,108	47	18,395	18,442
G - Overdue from 151 to 180 days	216	21,365	21,581	40	14,965	15,005
H - Overdue more than 180 days	<u>1,512</u>	<u>83,104</u>	<u>84,616</u>	<u>2,090</u>	<u>67,117</u>	<u>69,207</u>
Total	<u>11,293,876</u>	<u>856,374</u>	<u>12,150,250</u>	<u>6,583,505</u>	<u>517,546</u>	<u>7,101,051</u>

e. Market value evaluation

In Consolidated the procedure was that 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 of Central Bank of Brasil. The evaluation of these assets resulted in an unrealized positive adjustment, of R\$ 575.151 (2004 - R\$ 251,131), which has been classified to Other receivables - Other, in Assets.

	Installments - CDC			
	Market value hedge	Market value	Book value	Market adjustment
2005	7,193,294	6,816,836	6,241,685	575,151
2004	3,516,871	3,810,065	3,558,934	251,131

The financing portfolio of BV Financeira S.A. - CFI effectively hedged was valued at 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)

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

Risk level	Bank			Consolidated	
	Provision %	2005	2004	2005	2004
A - Overdue from 1 to 14 days	0.5	6,371	3,156	47,365	32,840
B - Overdue from 15 to 30 days	1.0	8,006	1,803	12,044	3,993
C - Overdue from 31 to 60 days	3.0	16,967	4,125	23,842	8,705
D - Overdue from 61 to 90 days	10.0	1,413	47	8,175	4,076
E - Overdue from 91 to 120 days	30.0	66	13	12,992	7,598
F - Overdue from 121 to 150 days	50.0	56	-	14,054	9,221
G - Overdue from 151 to 180 days	70.0	154	-	15,108	10,504
H - Overdue more than 180 days	100.0	<u>1,164</u>	<u>125</u>	<u>84,616</u>	<u>69,207</u>
Total		<u>34,197</u>	<u>9,269</u>	<u>218,196</u>	<u>146,144</u>

The credits recovered during the year, which were recorded as recovery of credits written off as losses, as determined in COSIF, amounted to R\$ 69,276 (2004 - R\$ 25,927), in Consolidated. Assets recovered during the year amounted to R\$ 83,022 (2004- R\$ 86,617). During the same period a balance of R\$ 361,310 (2004 - R\$ 159,969) was reported for renegotiated operations, for Banco Votorantim S.A., and R\$ 457,272 (2004 - R\$ 218,889), 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\$ 9,729 (2004 - R\$ 10,529), and which are presented mainly in risk level "A".

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

	Bank		Consolidated	
	2005	2004	2005	2004
Opening balance	9,269	21,926	146,144	174,230
Constitutions (reversals)	25,666	(12,429)	190,100	103,164
Written off to losses	(588)	(37)	(117,886)	(130,754)
Foreign exchange variation	(150)	(191)	(162)	(496)
Closing balance	<u>34,197</u>	<u>9,269</u>	<u>218,196</u>	<u>146,144</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

9 Other receivable

	<u>Bank</u>		<u>Consolidated</u>	
	2005	2004	2005	2004
Foreign exchange portfolio (a)	1,049,598	922,819	1,049,598	922,819
Income receivable	6,808	6,971	5,915	5,581
Securities clearing accounts (b)	421,203	120,215	447,388	129,042
Other (c)	442,498	62,489	1,181,659	445,344
Provision for doubtful receivable	(4,085)	(879)	(4,085)	(879)
Total	<u>1,916,022</u>	<u>1,111,615</u>	<u>2,680,475</u>	<u>1,501,907</u>

(a) Refers basically to balances for purchase of foreign currency to settle, net of advances, amounting to R\$ 528,709 (2004 - R\$ 483,676) and rights to sell foreign currency, net of advances, amounting to R\$ 516,850 (2003 - R\$ 438,270) 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\$ 139,715 (2004 - R\$ 41,504) and by the differential receivable from operations undertaken on the São Paulo Stock Exchange (BOVESPA), amounting to R\$ 93,079 (2004 - none), in Banco Votorantim S.A. and in Consolidated.

(c) Refer basically to taxes and contributions to compensate of R\$ 32,170 (2004 - R\$ 50,286) for Banco Votorantim S.A. and R\$ 97,055 (2004 - R\$ 93,247) in Consolidated; tax credits of R\$ 162,232 (2004 - R\$ 2,721) for Banco Votorantim S.A. and R\$ 253,824 (2004 - R\$ 83,376) in Consolidated, the market value of the Financing portfolio, described in Note 8e., in Consolidated, and options for tax incentives, for the amount of R\$ 8,983 (2004 - R\$ 2,033), for Banco Votorantim S.A., and R\$ 13,423 (2004 - R\$ 2,330), on consolidation, and amounts receivable from the sale of securities, for the amount of R\$ 234,120, for Banco Votorantim S.A. and in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

10 Investments

	Number of quotas/ shares held	Investment interest - %	Shareholders' equity	2005		2004		Book value of investments	Book value of investments
				Net profit	Income from investment interest	Income from investment interest	Book value of investments		
BV Financeira S.A. - Crédito, Financiamento e Investimento	117,426	99.99	892,392	388,254	390,717	892,331	216,593	512,609	
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	20,177	99.98	123,735	36,632	12,298	123,711	15,721	120,530	
Votorantim Bank Limited	1,000,000	4.03	118,308	6,750	(548)	4,773	248	8,317	
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	1,499,800	99.99	59,168	16,336	16,673	59,160	12,793	43,986	
BV Leasing - Arrendamento Mercantil S.A.	446,726	99.99	636,567	97,054	<u>97,981</u>	<u>636,562</u>	<u>51,447</u>	<u>552,879</u>	
Total					<u>517,121</u>	<u>1,716,537</u>	<u>296,802</u>	<u>1,238,321</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. Other financial institutions - The results from the equity interest refer to recognition of net profit plus the adjustments recognized directly to shareholders' equity.
- c. On February 27, 2002 the bank's overseas branch, located in Nassau - Bahamas, entered into operation. 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\$ 8,036,328 (2004 - R\$ 5,825,243), total liabilities R\$ 7,159,827 (2004 - R\$ 4,816,531), shareholder's equity R\$ 876,501 (2004 - R\$ 1,008,712) and income in the year R\$ 452 (2004 - R\$ 195,378).

11 Deposits

Represented, mainly, by time deposits of R\$ 16,421,896 (2003 - R\$ 10,907,677), funded at Banco Votorantim S.A., maturing by October 2008, and R\$ 16,448,449 (2003 - R\$ 10,941,211), in 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, amounting to R\$ 10,915,894 (2004 - R\$ 13,201,629), for Banco Votorantim S.A., are tied to public and private securities. In Consolidated they amount to R\$ 10,616,723 (2004 - R\$ 12,989,347) and refer to 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 January 2007, with financial charges of up to 5.25% 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 2010, with financial charges of up to 7.84% per annum, plus foreign currency variation, if post fixed, in Banco Votorantim S.A.

c. Repasses

Represented by funds provided by the National Economic and Social Development Bank (BNDES), through its Special Agency for Industrial Financing (FINAME), maturing by August 2016 with monetary correction (Long Term Interest Rate (TJLP) and a basket of currencies) and financial charges of up to 13.95% per annum.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

14 Others liabilities

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Foreign exchange portfolio (a)	815,433	891,307	815,433	891,307
Social and Statutory (b)	116,167	83,200	174,703	119,783
Tax and social security (c)	650,082	528,752	1,006,777	749,149
Due in connection with securities dealings (d)	91,921	308,254	125,416	322,738
Other (e)	<u>243,067</u>	<u>27,545</u>	<u>285,628</u>	<u>63,452</u>
Total	<u>1,916,670</u>	<u>1,839,058</u>	<u>2,407,957</u>	<u>2,146,429</u>

- (a) Foreign exchange portfolio refers to the obligations from the purchase of foreign currency to settle, net of advances, amounting to R\$ 288,711 (2004 - R\$ 443,903), and for the sale of foreign currency to settle, net of advances, amounting to R\$ 526,722 (2004 - R\$ 447,404) for Banco Votorantim S.A. and in Consolidated.
- (b) Social and Statutory refers basically to the balance for dividends and interest on dividends and own capital payable, amounting to R\$ 99,067 (2004 - R\$ 63,846) for Banco Votorantim S.A. and in Consolidated, and the provision for profit sharing, amounting to R\$ 17,100 (2004 - R\$ 19,368) for Banco Votorantim S.A. and R\$ 19,706 (2004 - R\$ 41,480) in Consolidated.
- (c) The tax and social security balances are represented, mainly, by income tax and social contribution payable in the amount R\$ 75,395 (2004 - R\$ 287,162) in Consolidated; deferred income tax and social contribution in the amount of R\$ 423,938 (2004 - R\$ 49,084) in Banco Votorantim S.A. and R\$ 660,169 (2004 - R\$ 167,870) in Consolidated; provision for tax risks in the amount of R\$ 7,232 (2004 - R\$ 6,607) in Banco Votorantim S.A. and R\$ 12,962 (2004 - R\$ 10,069) in Consolidated; taxes and contributions payable of R\$ 218,912 (2004 - R\$ 269,331) in Banco Votorantim S.A. and R\$ 258,249 (2004 - R\$ 284,046) in Consolidated.
- (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\$ 69,049 (2004 - R\$ 253,020) in Banco Votorantim S.A. and in Consolidated.
- (e) The balance for others is represented mainly by amounts payable for the purchase of shares, in the amount of R\$ 230,783 (2004 - R\$ none), for Banco Votorantim S.A. and in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

15 Shareholders' equity - Bank

a. Capital

The subscribed and paid in capital is represented by 59,736,968,719 (2004 - 51,672,452,590) ordinary shares with no par value.

In the Extraordinary General Meeting held on August 29, 2005, the shareholders approved a capital increase in cash of R\$ 500,000, through the issue of 8,064,516,129 new shares, resulting in capital being represented by 59,736,968,719 ordinary shares with no par value. The increase was approved by the Central Bank of Brazil on September 12, 2005.

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".

In an Extraordinary General Meeting on June 20, 2005, the shareholders approved the distribution of dividends in the amount of R\$ 170,705 (R\$ 3.30 per lot of one thousand shares).

In an Extraordinary General Meeting on December 29, 2005, the shareholders approved the distribution of dividends in the amount of R\$ 48,442 (R\$ 0.81 per lot of one thousand shares).

c. Interest on shareholders' equity

In accordance with the option provided under law 9249/95, in 2005 the Bank calculated interest on shareholders' equity of R\$ 145,885 (2004 - R\$ 227,760), based on the long term interest rate (TJLP) in force during the year, 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.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Income and social contribution taxes for the year were decreased by approximately R\$ 49,601 (2004 - 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:

	2005	2004
Profit before income and social contribution taxes	<u>1,032,097</u>	<u>924,179</u>
Charges (income and social contribution taxes) at the nominal rates of 25% and 9% respectively	(350,913)	(314,221)
Permanent exclusions/(additions)	<u>(18,821)</u>	<u>167,567</u>
Nondeductible expenses	(97)	(495)
Profit sharing	10,388	13,928
Results of subsidiary and branch overseas	246	-
Tax loss and negative social contribution basis	(151,145)	-
Equity in income of subsidiary and exchange rate	70,691	138,563
Results of subsidiary and branch overseas	-	(66,428)
Interest on NTN-A	1,495	4,561
Interest on shareholders' equity	49,601	77,438
Temporary exclusions/(additions)	<u>369,734</u>	<u>(57,075)</u>
Allowance for loan losses	(8,366)	4,733
Market adjustment - Circulars 3068 and 3082	10,462	(66,116)
Derivatives - Law 11051	364,146	-
Others	3,492	4,308
Current income and social contribution taxes	-	(203,729)
income and social contribution taxes for prior years	19,559	-
Deferred income and social contribution taxes	<u>(374,854)</u>	<u>66,116</u>
Total income and social contribution taxes	<u>(355,295)</u>	<u>(137,613)</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

17 Deferred income and social contribution taxes affecting the results were calculated as follows

	2005	2004
Deferred income and social contribution taxes		
Additions/(exclusions)		
Market adjustment - Circulars 3068 and 3082	(10,462)	66,116
Overseas result	(246)	-
Derivatives - Law 11051	(364,146)	-
Deferred income and social contribution taxes for the year	<u>(374,854)</u>	<u>66,116</u>
Tax credit		
Additions/(exclusions)		
Allowance for loan losses	8,366	(4,733)
Tax loss and negative social contribution basis	<u>151,145</u>	-
Deferred tax assets for the year	<u>159,511</u>	<u>(4,733)</u>

18 Deferred income and social contribution taxes

	2005	2004
Assets (other receivables - Other)		
Opening balance	2,721	7,454
Allowance for loan losses	8,366	(4,733)
Tax loss and negative social contribution basis	<u>151,145</u>	-
Closing balance	<u>162,232</u>	<u>2,721</u>
Liabilities (other liabilities - tax and social security)		
Opening balance	49,085	115,201
Market adjustment - Circulars 3068 and 3082	10,462	(66,116)
Derivatives - Law 11051	364,146	-
Unrealized results - overseas	246	-
Others	(1)	-
Closing balance	<u>423,938</u>	<u>49,085</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

19 Estimated realization

	2006	2007	Total
Allowance for loan losses	7,088	3,999	11,087
Tax loss	<u>151,145</u>	<u>-</u>	<u>151,145</u>
Total	<u>158,233</u>	<u>3,999</u>	<u>162,232</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 of the Central Bank of Brasil.
- 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.
- Tax credit constituted on the tax loss arising mainly from the effects of derivative financial instruments, from the publication of Law 11.051 (art. 32), of December 29, 2004, to be amortized until June 2006, arising from the forecast results and realization of these derivatives.
- 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 2006 and income to be taxed on realization, as determined in article 32 of Law 11051, of December 29, 2004, according to the liquidation, transfer or conclusion of the contract of operations for derivative financial instruments (Swap and Futures Market).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated

a. Charges due on operations

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

	2005	2004
Profit before income and social contribution taxes	1,296,498	1,148,786
Charges (income and social contribution taxes) at the nominal rates of 25% and 9% respectively	(440,809)	(390,587)
Permanent exclusions/(additions)	(62,539)	55,050
Nondeductible expenses	(2,794)	(2,023)
Tax loss and negative social contribution basis	(151,810)	5,613
Profit sharing	35,912	29,056
Results of subsidiary and branch overseas	246	(66,428)
Interest on NTN-A	6,306	11,394
Interest on shareholder's equity	49,601	77,438
Temporary exclusions/(additions)	427,954	48,375
Allowance for loan losses	(4,682)	(8,412)
Market adjustment Circulars 3068 and 3082	111,186	19,235
Provision for contingencies	(3,137)	(2,415)
Excess depreciation	241	(1,118)
Derivatives - Law 11051	369,807	-
Others	(45,461)	41,085
Current income and social contribution taxes	(75,394)	(287,162)
Income and social contribution taxes for prior year	19,414	-
Deferred income and social contribution taxes	(492,299)	(18,117)
Total income and social contribution taxes	(548,279)	(305,279)

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

	2005	2004
Deferred income and social contribution taxes		
Additions/(exclusions)		
Market adjustment - Circulars 3068 and 3082	(111,186)	(19,235)
Excess depreciation	(241)	1,118
Overseas results	(246)	-
Derivatives - Law 11051	(380,626)	-
Deferred income and social contribution taxes for the year	<u>492,299</u>	<u>(18,177)</u>
Tax credit		
Additions/(exclusions)		
Allowance for loan losses	4,682	8,412
Tax loss and negative social contribution basis	151,810	(5,613)
Provision for contingencies	3,137	2,628
Unrealized results - derivatives	10,819	-
Other provisions	-	(912)
Deferred tax assets for the year	<u>170,448</u>	<u>4,515</u>

c. *Deferred income and social contribution taxes*

	2005	2004
Assets (other receivables - Other)		
Opening balance	83,376	78,861
Allowance for loan losses	4,682	8,412
Tax loss and negative social contribution basis	151,810	(5,613)
Provision for contingencies	3,137	2,628
Unrealized results - derivatives	10,819	-
Other provisions	-	(912)
Closing balance	<u>253,824</u>	<u>83,376</u>

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Notes to the financial statements

(In thousands of Reais)

	2005	2004
Liabilities (other liabilities - Tax and social security)		
Opening balance	167,871	149,753
Market adjustment - Circulars 3068 and 3082	111,186	19,235
Excess depreciation	241	(1,118)
Overseas results	246	-
Derivatives - Law 11051	380,626	-
Others	(_____)1	_____
Closing balance	<u>660,169</u>	<u>167,870</u>

d. Estimated realization

	2006	2007	2008	2010	Total
Tax loss and negative social contribution basis	152,775	-	-	-	152,775
Allowance for loan losses	65,159	11,439	7,403	-	84,001
Unrealized results - Derivatives	4,953	5,687	179	-	10,819
Provision for contingencies	_____	_____	-	<u>6,229</u>	<u>6,229</u>
Total	<u>222,887</u>	<u>17,126</u>	<u>7,582</u>	<u>6,229</u>	<u>253,824</u>

20 Related parties - Bank

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

	2005	2004
Assets		
Money market	30,252	-
Interbank deposits	7,393,526	4,526,573
Securities and derivative financial instruments	664,862	425,573
Dividends and bonuses receivable	5,450	4,819
Amounts receivable from related companies	581	591

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	2005	2004
Liabilities		
Demand deposits	1,303	1,590
Interbank deposits	532,680	698,002
Time deposits	7,324	28,512
Linked to Transfers to Borrowers	23,509	54,693
Money market repurchase commitments	306,288	238,908
Derivative financial instruments	121,707	36,056
Due in connection with securities dealings	635	587
Results		
Money market income	5,380	18
Income from interbank deposits	1,020,113	692,113
Results from derivative financial instruments	667,572	529,356
Service fee income	7,283	5,898
Expenses from borrowings and repasses	(1,703)	(3,651)
Expenses from interbank deposits	(112,658)	(87,716)
Expenses from time deposits	(8,513)	(59,167)
Money market funding	(41,625)	(8,629)
Administrative expenses	-	19

21 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\$ 17,586,224 (2004 - R\$ 13,532,611). Income from managing these funds was R\$ 37,138 (2004 - R\$ 40,664) 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\$ 297,754 (2004 - R\$ 166,309) paid to traders acting as intermediaries for financing and leasing operations.
- c. Sureties and guarantees provided amount to R\$ 2,814,368 (2004 - R\$ 642,176) and have been recorded to memorandum accounts.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- d.** Other operating income refers mainly to monetary correction of assets in the amount of R\$ 3,555 (2004 - R\$ 1,451) Banco Votorantim S.A. and R\$ 4,209 (2004 - R\$ 2,624) in Consolidated.
- e.** Other operating expenses in Banco Votorantim S.A. refer mainly to monetary updating of the provision for tax risks in the amount R\$ 31,342 (2004 - R\$ 22,077) and foreign exchange variation of investments in the Nassau branch abroad in the amount of R\$ 119,280 (2004 - R\$ 136,661). In Consolidated they refer mainly to commissions paid to traders acting as intermediaries for financing and leasing operations R\$ 285,355 (2004 - R\$ 182,318) and monetary updating of the tax risk and taxes payable in the amount of R\$ 34,081 (2004 - R\$ 23,780) and foreign exchange variation on investments in the Nassau branch and Votorantim Bank Limited, overseas, for the amount of R\$ 120,226 (2004 - R\$ 137,692).
- 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 and reversal of the provision for PIS, in Banco Votorantim and Consolidated.
- 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.
- 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\$ 7,232 (2004 - R\$ 6,607) in Banco Votorantim S.A, and R\$ 12,962 (2004 - R\$ 10,069) 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\$ 3,627 (2004 - R\$ 3,168) in Banco Votorantim S.A. and R\$ 3,760 (2004 - R\$ 7,596) in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

On July 25, 2003, the Bank officially registered with the Federal Revenue Department its adhesion to the Special Program for Payment of Overdue Taxes 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	2,897	3,854	12,263

Consolidated

Principal and fine updated on the date of adhesion	Update - TJLP	Amortization	Balance at December 31, 2004
18,392	3,995	5,335	17,052

- 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 position taken by the courts in the past for proceedings of the same nature. The balance for the provision at December 31, 2005 was R\$ 501 (2004 - R\$ 535) for Banco Votorantim S.A. and R\$ 14,883 (2004 - R\$ 7,511) 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\$ 60 (2004 - R\$ 57), for Banco Votorantim S.A. and R\$ 2,692 (2004 - R\$ 455) in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- 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 15.93% (2004 - 17.47%).

22 Subsequent events

In an Extraordinary General Meeting on February 15, 2006, the shareholders approved a capital increase for the amount of R\$ 500,000, and as a result capital is represented by 66,983,345,530 ordinary shares with no par value. This capital increase is being considered for approval by BACEN.