



Banco Votorantim S.A.

Financial statements

December 31, 2007 and 2006

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)



Banco Votorantim S.A.

Financial statements

December 31, 2007 and 2006

Contents

Independent auditors' report	3
Balance sheets	4
Statements of income	5
Statements of changes in shareholders' equity	6
Statements of changes in financial position	7
Notes to the financial statements	8 - 51



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Independent auditors' report

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

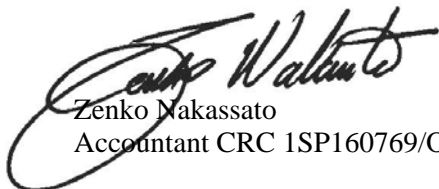
We have examined the balance sheets of Banco Votorantim S.A. ("Bank") and the consolidated balance sheets of the Bank and its subsidiaries ("Consolidated"), as of December 31, 2007 and 2006 and the related statements of income, changes in shareholders' equity and changes in financial position for the 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, 2007 and 2006, 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 18, 2008

KPMG Auditores Independentes
CRC 2SP014428/O-6



Zenko Nakassato
Accountant CRC 1SP160769/O-0



Giuseppe Masi
Accountant CRC 1SP176273/O-7

Banco Votorantim S.A.

Balance sheets

December 31, 2007 and 2006

(In thousands of Reals)

	Bank		Consolidated			Bank		Consolidated	
	2007	2006	2007	2006		2007	2006	2007	2006
Assets					Liabilities				
Current assets	69,431,049	58,150,167	50,134,797	45,686,263	Current Liabilities	39,616,753	29,603,086	38,900,202	29,411,933
Cash and cash equivalents	15,339	25,048	53,863	55,240	Deposits	11,409,843	9,499,934	10,540,463	9,045,859
Interbank funds applied	31,159,732	28,464,559	15,700,338	17,930,277	Demand deposits	334,945	64,763	348,086	77,996
Money market	12,989,072	16,915,517	12,909,640	16,915,517	Interbank deposits	1,762,530	1,150,100	860,307	653,877
Interbank deposits	16,831,837	11,529,802	1,451,875	995,520	Time deposits	9,304,462	8,278,767	9,324,164	8,307,682
Foreign currency deposits	1,338,823	19,240	1,338,823	19,240	Other deposits	7,906	6,304	7,906	6,304
Securities and derivative financial instruments	31,483,452	23,814,312	19,152,491	15,470,875	Money market repurchase commitments	18,083,905	14,239,238	17,347,430	13,784,733
Own portfolio	7,456,150	12,769,525	6,704,899	9,318,909	Own portfolio	9,834,409	3,491,370	9,366,372	3,036,865
Subject to repurchase commitments	16,044,325	6,166,412	4,612,917	1,564,001	Third party portfolio	5,767,394	9,188,147	5,498,956	9,188,147
Derivative financial instruments	2,896,717	1,251,718	2,684,830	906,388	Portfolio free movement	2,482,102	1,559,721	2,482,102	1,559,721
Deposited with the Central Bank	1,567,823	1,396,154	1,567,823	1,450,505	Acceptances and endorsements	509,563	446,739	711,993	553,850
Subject to guarantees provided	3,518,437	2,230,503	3,582,022	2,231,072	Funds from Debentures	-	-	202,430	107,111
Interbank accounts	1,006,101	1,438,828	1,006,101	1,438,828	Liabilities from overseas securities	509,563	446,739	509,563	446,739
Collections in transit	999,003	30	999,003	30	Interbranch accounts	22,761	36,326	23,779	37,267
Deposits with the Central Bank	-	1,438,235	-	1,438,235	Third party funds in transit	22,761	36,326	23,779	36,326
Correspondents	7,098	563	7,098	563	Internal transfer of funds	-	-	-	941
Loans	4,430,030	3,139,457	12,000,653	8,832,637	Borrowings and repasses	2,481,082	2,074,995	2,490,709	2,078,367
Loans - Public sector	23,297	200,725	23,297	200,725	Domestic repasses - Other institutions	54,531	45,947	54,531	45,947
Loans - Private sector	2,745,227	1,645,489	3,798,580	2,332,521	Overseas borrowings	1,093,111	1,028,340	1,093,111	1,028,340
Financing - Private sector	1,445,735	1,106,531	8,338,521	6,370,183	Domestic repasses - Official institutions	1,333,440	1,000,708	1,343,067	1,004,080
Financing - Rural and Agricultural-Industrial	108,565	81,258	108,565	81,258	Derivative financial instruments	4,437,591	1,512,677	4,187,993	1,510,548
Financing - Securities	159,561	142,223	159,561	142,223	Derivative financial instruments	4,437,591	1,512,677	4,187,993	1,510,548
Allowance for loan losses	(52,355)	(36,769)	(427,871)	(294,273)	Other liabilities	2,672,008	1,793,177	3,597,835	2,401,309
Lease operations	-	-	18,124	14,573	Foreign exchange portfolio	391,862	439,269	391,862	439,269
Leases receivable - Public sector	-	-	2,853	2,701	Social and statutory	196,848	293,259	275,852	360,059
Leases receivable - Private sector	-	-	50,629	40,831	Tax and social security	772,666	670,923	1,219,795	1,086,981
Unearned lease income	-	-	(27,499)	(19,934)	Due in connection with securities dealings	443,151	59,075	463,991	108,163
Allowance for lease losses	-	-	(7,859)	(9,025)	Other	867,481	330,651	1,246,335	406,837
Other receivables	1,333,647	1,265,906	1,720,840	1,724,361	Long-term liabilities	34,399,441	30,979,285	21,456,615	22,114,076
Sureties and guarantees paid	-	289	-	289	Deposits	22,219,575	21,882,950	4,637,128	10,595,422
Foreign exchange portfolio	866,448	752,238	866,448	752,238	Interbank deposits	17,693,495	11,315,673	111,048	33,519
Income receivable	5,859	5,137	14,824	9,943	Time deposits	4,526,080	10,567,277	4,526,080	10,561,903
Securities clearing accounts	179,912	91,659	189,231	128,260	Money market repurchase commitment	6,044,401	2,633,798	6,044,401	2,633,798
Other	289,768	424,124	658,677	841,172	Own portfolio	6,044,401	2,633,798	6,044,401	2,633,798
Provision for doubtful receivable	(8,340)	(7,541)	(8,340)	(7,541)	Acceptances and endorsements	1,591,059	2,269,588	4,110,803	4,654,497
Other assets	2,748	2,057	482,387	219,472	Funds from debentures	-	-	2,519,744	2,384,909
Other assets	-	-	34,667	21,484	Liabilities from overseas securities	1,591,059	2,269,588	1,591,059	2,269,588
Prepayments	2,748	2,057	447,720	197,988	Borrowings and repasses	2,969,986	1,703,941	2,993,529	1,713,106
Long-term assets	8,102,727	5,701,534	16,174,445	10,893,712	Domestic repasses - Other	66,424	-	66,424	-
Interbank funds applied	984,312	1,503,276	984,312	1,499,112	Overseas borrowings	1,144,975	493,540	1,144,975	493,540
Interbank deposits	984,312	1,503,276	984,312	1,499,112	Domestic repasses - Official institutions	1,758,587	1,210,401	1,782,130	1,219,566
Securities and derivative financial instruments	1,037,979	1,489,908	948,945	1,691,048	Derivative financial instruments	456,205	2,337,298	870,601	2,328,655
Subject to repurchase commitments	-	34,541	-	34,541	Derivative financial instruments	456,205	2,337,298	870,601	2,328,655
Derivative financial instruments	1,037,979	1,202,068	948,945	1,403,208	Other liabilities	1,118,215	151,710	2,800,153	188,598
Subject to guarantees provided	-	253,299	-	253,299	Tax and social security	-	151,710	221,311	188,598
Loans	6,078,605	2,628,463	13,615,071	7,172,576	Subordinated debt	1,118,215	-	2,578,842	-
Loans - Public sector	159,559	-	159,559	-	Deferred income	11,200	7,560	11,200	7,560
Loans - Private sector	2,978,023	1,223,407	3,953,586	1,838,893	Minority interest	-	-	29,295	112,564
Financing - Private sector	2,782,738	1,327,666	9,458,333	5,352,753	Shareholders' equity	6,003,740	5,033,981	6,003,740	5,033,981
Financing - Rural and Agricultural-Industrial	164,761	100,776	164,761	100,776	Capital:				
Allowance for loan losses	(6,476)	(23,386)	(121,168)	(119,846)	Domestic	3,380,000	3,380,000	3,380,000	3,380,000
Lease operations	-	-	41,263	22,620	Capital reserves	21,426	15,357	21,426	15,357
Leases receivable - Public sector	-	-	3,550	7,080	Revenue reserves	2,599,035	1,585,345	2,599,035	1,585,345
Leases receivable - Private sector	-	-	84,971	44,153	Retained earnings	3,279	53,279	3,279	53,279
Unearned lease income	-	-	(46,894)	(28,431)	Total liabilities	80,031,134	65,623,912	66,401,052	56,680,114
Allowance for loan losses	-	-	(364)	(182)					
Other receivables	1,817	79,887	244,341	221,615					
Foreign exchange portfolio	1,817	-	1,817	-					
Other	-	79,887	242,524	221,615					
Other assets	14	-	340,513	286,741					
Prepayments	14	-	340,513	286,741					
Permanent assets	2,497,358	1,772,211	91,810	100,139					
Investments	2,474,412	1,752,948	8,203	30,844					
Domestic subsidiaries and affiliates	2,467,053	1,727,708	-	-					
Investment in overseas subsidiary	2,682	9,863	-	-					
Other investments	4,677	15,377	8,203	30,844					
Fixed assets	17,244	14,537	53,639	43,748					
Other fixed assets for use	42,576	36,120	106,596	85,570					
Accumulated depreciation	(25,332)	(21,583)	(52,957)	(41,822)					
Deferred charges	5,702	4,726	29,968	25,547					
Organization and expansion expenses	15,575	11,987	65,726	49,958					
Accumulated amortization	(9,873)	(7,261)	(35,758)	(24,411)					
Total assets	80,031,134	65,623,912	66,401,052	56,680,114					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Years ended December 31, 2007 and 2006 and
semester ended December 31, 2007

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

	Bank			Consolidated	
	2nd semester	Years		Years	
	2007	2007	2006	2007	2006
Financial operations income	3,727,899	7,411,503	6,715,541	8,103,240	8,171,636
Loans	361,422	598,784	645,494	4,026,251	3,750,399
Lease operations	-	-	-	31,264	21,579
Securities income	2,896,554	6,143,021	5,389,135	3,598,698	3,907,219
Derivative financial instruments	405,975	539,146	501,365	316,475	312,892
Trade finance and foreign exchange income	5,386	-	-	-	-
Compulsory investments	58,562	130,552	179,547	130,552	179,547
Financial operations expenses	(3,292,143)	(6,559,698)	(5,779,046)	(5,405,286)	(5,870,093)
Deposits, money market and interbank funds	(3,183,357)	(6,250,909)	(5,511,434)	(4,528,646)	(5,193,162)
Borrowings, assignments and repasses	(106,961)	(295,219)	(215,041)	(297,273)	(215,358)
Lease operations	-	-	-	(22,601)	(16,084)
Foreign exchange operations	-	(13,204)	(18,893)	(13,198)	(18,893)
Allowance for loan losses	(1,825)	(366)	(33,678)	(543,568)	(426,596)
Gross income from financial operations	435,756	851,805	936,495	2,697,954	2,301,543
Other operating income/(expenses)	80,368	341,780	187,624	(1,228,908)	(956,268)
Service fee income	41,279	75,086	47,429	692,249	450,866
Personnel expenses	(64,699)	(114,650)	(113,634)	(309,831)	(268,110)
Other administrative expenses	(66,665)	(112,785)	(75,645)	(638,756)	(463,414)
Tax expenses	(36,570)	(78,209)	(55,871)	(271,851)	(226,673)
Equity in earnings of subsidiaries	288,519	750,281	479,870	-	-
Other operational income	18,863	40,302	29,810	376,548	290,797
Other operational expenses	(100,359)	(218,245)	(124,335)	(1,077,267)	(739,734)
Operating results	516,124	1,193,585	1,124,119	1,469,046	1,345,275
Non operating results	171,130	171,130	66	318,934	(13,762)
Income before taxation and profit sharing	687,254	1,364,715	1,124,185	1,787,980	1,331,513
Income tax and social contribution	(90,200)	(123,372)	(62,464)	(391,575)	(149,694)
Provision for income tax	(30,548)	(16,210)	(11,684)	(272,449)	(197,345)
Provision for social contribution	(16,803)	(13,086)	(9,087)	(110,486)	(79,412)
Deferred income tax and social contribution	(42,849)	(94,076)	(41,693)	(8,640)	127,063
Profit sharing	(42,858)	(77,653)	(51,100)	(228,511)	(162,392)
Net income before minority interest	554,196	1,163,690	1,010,621	1,167,894	1,019,427
Minority interest	-	-	-	(4,204)	(8,806)
Net income for the semester/year	554,196	1,163,690	1,010,621	1,163,690	1,010,621
Net income per lot of one thousand shares - R\$	7.48	15.70	13.63		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2007 and 2006 and
semester ended December 31, 2007

(In thousands of Reais)

	Capital	Capital reserves	Revenue reserves		Retained earnings	Total
			Legal	Expansion		
Balances at December 31, 2005	2,380,000	13,826	149,927	1,437,855	53,279	4,034,887
Reversal of reserve	-	-	-	(379,575)	379,575	-
Prior year adjustments	-	-	-	-	(379,508)	(379,508)
Distribution of dividends	-	-	-	(20,000)	-	(20,000)
Capital increase	1,000,000	-	-	-	-	1,000,000
Constitution of reserve:						
Allocation to investments	-	1,531	-	-	-	1,531
Net income	-	-	-	-	1,010,621	1,010,621
Distribution of net income:						
Legal reserve	-	-	50,531	-	(50,531)	-
Expansion reserve	-	-	-	473,207	(473,207)	-
Interest on shareholders' equity	-	-	-	-	(486,950)	(486,950)
Distribution of dividends	-	-	-	(126,600)	-	(126,600)
Balances at December 31, 2006	<u>3,380,000</u>	<u>15,357</u>	<u>200,458</u>	<u>1,384,887</u>	<u>53,279</u>	<u>5,033,981</u>
Distribution of dividends	-	-	-	-	(50,000)	(50,000)
Fiscal incentives	-	4,288	-	-	-	4,288
Correction of membership certificates	-	1,781	-	-	-	1,781
Net income	-	-	-	-	1,163,690	1,163,690
Distribution of net income:						
Legal reserve	-	-	58,185	-	(58,185)	-
Expansion reserve	-	-	-	955,505	(955,505)	-
Distribution of dividends	-	-	-	-	(150,000)	(150,000)
Balances at December 31, 2007	<u>3,380,000</u>	<u>21,426</u>	<u>258,643</u>	<u>2,340,392</u>	<u>3,279</u>	<u>6,003,740</u>
Balances at June 30, 2007	3,380,000	21,264	230,933	1,384,887	582,298	5,599,382
Constitution of reserve:						
Allocation to investments	-	162	-	-	-	162
Net income	-	-	-	-	554,196	554,196
Distribution of net income:						
Legal reserve	-	-	27,710	-	(27,710)	-
Expansion reserve	-	-	-	955,505	(955,505)	-
Distribution of dividends	-	-	-	-	(150,000)	(150,000)
Balances at December 31, 2007	<u>3,380,000</u>	<u>21,426</u>	<u>258,643</u>	<u>2,340,392</u>	<u>3,279</u>	<u>6,003,740</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in financial position

Years ended December 31, 2007 and 2006 and semester ended December 31, 2007

(In thousands of Reais)

	Bank			Consolidated	
	2nd semester	Years		Years	
	2007	2007	2006	2007	2006
Sources of funds	11,758,642	14,964,437	21,117,918	18,011,510	13,615,227
Net income	554,196	1,163,690	1,010,621	1,163,690	1,010,621
Adjustments to net income	(285,220)	(743,887)	(475,324)	22,731	16,940
Depreciation and amortization	3,299	6,394	4,546	22,731	16,940
Equity in earnings of subsidiaries	(288,519)	(750,281)	(479,870)	-	-
Prior year adjustments	-	-	67	-	(379,508)
Minority interest	-	-	-	(83,269)	(1,069)
Funds from shareholders	-	-	1,000,000	-	1,000,000
Capital increase	-	-	1,000,000	-	1,000,000
Interest on shareholders' equity received	-	-	78,897	-	-
Variation in deferred income	4,629	3,640	(10,764)	3,640	(10,764)
Reserves	162	6,069	1,531	6,069	1,531
Capital reserve	162	6,069	1,531	6,069	1,531
Third party funds originating from:	11,484,875	14,534,925	19,512,890	16,898,649	11,977,476
Increase in liabilities	9,815,410	14,063,093	18,933,513	13,693,537	10,986,439
Deposits	2,347,034	2,246,534	10,438,402	-	-
Money market repurchase commitments	5,629,471	7,255,270	5,957,142	6,973,300	5,801,808
Acceptances and endorsements	-	-	2,478,213	-	4,970,233
Interbranch accounts	-	-	31,539	-	32,448
Borrowings and repasses	652,860	1,672,132	-	1,692,765	-
Derivative financial instruments	835,678	1,043,821	-	1,219,391	-
Other liabilities	350,367	1,845,336	28,217	3,808,081	181,950
Decrease in assets	1,643,257	443,056	572,572	3,177,466	990,942
Interbank funds applied	-	-	-	2,744,739	-
Securities and derivative financial instruments	-	-	-	-	256,443
Interbank accounts	185,760	432,727	-	432,727	-
Other receivables	1,457,497	10,329	570,229	-	734,499
Other assets	-	-	2,343	-	-
Disposal of assets and investments	26,208	28,776	95	27,646	95
Investments	26,208	28,776	-	22,641	-
Fixed assets	-	-	95	5,005	95
Dividends	-	-	6,710	-	-
Application of funds	11,748,541	14,974,146	21,100,332	18,012,887	13,586,231
Distribution of dividends	150,000	200,000	146,600	200,000	146,600
Interest on shareholders' equity	-	-	486,950	-	486,950
Variation in:	4,939	10,036	18,240	42,048	41,427
Investments	1,807	-	7,890	-	4,184
Fixed assets	2,248	6,448	6,829	26,101	21,193
Deferred charges	884	3,588	3,521	15,947	16,050
Increase in assets	11,236,556	14,134,840	19,905,625	12,908,110	11,577,558
Interbank funds applied	5,063,550	2,176,209	9,960,649	-	6,706,081
Securities and derivative financial instruments	2,936,332	7,217,211	8,188,269	2,939,513	-
Interbank accounts	-	-	343,480	-	343,480
Loans	3,235,477	4,740,715	1,413,227	9,610,511	4,339,196
Lease operations	-	-	-	22,194	14,092
Other receivables	-	-	-	19,205	-
Other assets	1,197	705	-	316,687	174,709
Decrease in liabilities	357,046	629,270	542,917	4,862,729	1,333,696
Deposits	-	-	-	4,463,690	-
Money market repurchase commitments	-	-	-	-	750,626
Acceptances and endorsements	329,783	615,705	-	385,551	-
Interbranch accounts	17,595	13,565	-	13,488	-
Interbank accounts	9,668	-	-	-	-
Borrowings and repasses	-	-	36,872	-	24,384
Derivative financial instruments	-	-	506,045	-	558,686
Increase (decrease) in cash and cash equivalents	10,101	(9,709)	17,586	(1,377)	28,996
Statement of changes in net working capital					
Cash and cash equivalents					
At beginning of semester/year	5,238	25,048	7,462	55,240	26,244
At end of semester/year	15,339	15,339	25,048	53,863	55,240
Increase (decrease) in cash and cash equivalents	10,101	(9,709)	17,586	(1,377)	28,996

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Years ended December 31, 2007 and 2006

(In thousands of Reais)

1 Operations

Banco Votorantim S.A. (Banco Votorantim) is a closed company which, operating as a multiple bank, undertakes authorized commercial, financing and foreign exchange banking activities. Through its subsidiaries, it also undertakes a variety of other activities, with the more important being consumer credit, leasing, administration of investment funds and, recently, credit card activities.

The operations are undertaken within the context of a group of institutions that operate in an integrated manner on the financial market and these institutions co-participate or act as intermediaries of associated institutions, that are members of the financial system. 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 were prepared based on the accounting guidelines derived from Corporate Law together rules and instructions from the Central Bank of Brazil (BACEN).

The financial statements of Banco Votorantim include the operations undertaken by the Bank and its branches in Brazil, and also the operations undertaken overseas, located in Nassau - Bahamas.

The consolidated financial statements of Banco Votorantim include the branches in Brazil and overseas and also the direct subsidiaries in Brazil and overseas, as listed below:

	<u>Share</u>	
	2007	2006
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
Direct subsidiaries overseas		
Votorantim Bank Limited	4.03	4.03
Banco Votorantim Securities Inc.	100.00	100.00

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Description of main consolidation procedures for the consolidation of the financial statements

- a. Elimination of intercompany assets, liabilities, incomes and expenses balances between branches and its subsidiaries;
- b. Elimination of investment in the subsidiaries' capital, reserves and retained earnings;
- c. Preparation of the financial statements of the leasing company using the financial method, reclassification of leased fixed assets to the heading leasing operations, less the residual value received in advance.
- d. The accounting balances of direct overseas subsidiaries, which are prepared in accordance with international accounting standards (IFRS) were translated into reais, using the quotation for the North American dollar at the period end, and were adjusted according to the accounting guidelines derived from Corporate Law, and norms and instructions of the Central Bank of Brazil (BACEN).
- e. The foreign exchange variation from transactions with branches and overseas related companies has been distributed between the headings in the statement of income, according to the respective assets and liabilities that gave rise to such.

3 Main accounting practices

a. Statement of income

Incomes and expenses are recorded on an accruals basis. Operations involving pre-fixed rates are recorded at the redemption values and the income and expenses that refer to future periods are recorded as reductions against the respective assets and liabilities. Financial income and expenses are recorded on a daily pro rata basis, and calculated exponentially, except for those related to overseas transactions, which are calculated on a straight-line basis. Transactions involving post fixed rates or indexed to foreign currencies, are corrected to the balance sheet date.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Interbank funds applied

Interbank funds applied are recorded at the investment values, plus accrued income to the balance sheet date, recorded on a daily pro rata basis, calculated based on the variation in the index or the interest rate agreed.

c. Securities

Securities are recorded at the amount paid and classified, based on management's intention, between three separate categories:

- i. Securities for trading** - Securities acquired to be actively and frequently traded. They are adjusted by market value in contra account to income for the period;
- ii. Securities available for sale** - Securities that are not intended for trading nor to be held through to maturity. They are adjusted by market value in contra account to the highlighted shareholders' equity account, net of tax impacts; and
- iii. Securities held to maturity** - Securities for which there is the intention and financial capacity to hold in portfolio up to their maturity. They are recorded at cost of purchase, plus accrued income in contra account to income for the period.

The method for evaluating securities at market values was established based consistent criteria that can be checked, which take into consideration the average trading price on the date of the calculation, and any adjustments to prices of securities with reduced liquidity in order to determine the most appropriate fair market value.

Accrued income from securities, irrespective of the category to which they are classified, is calculated on a daily pro rata basis, based on the variation in the index or interest rate agreed, using the exponential method or straight line method, until the maturity date or the actual sale of the security, and is recognized directly to income for the period. Securities classified as "securities for trading" are reported in the balance sheet as current asset, independent of the maturity dates of the respective securities.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

d. Derivative financial instruments

Derivative financial instruments are stated by market value, based on consistent criteria that can be checked, based on the average trading price on the date of calculating such, or in the absence of such, conventional and acceptable methodologies. The valuations and devaluations are recorded to income or expense accounts for the respective financial instruments.

Derivative financial instruments are classified according to Management's intention, taking into consideration their purpose. Financial instruments used to compensate all or part of the risks arising from exposure to variations in the market value of assets or liabilities are considered to be hedge instruments and are classified according to their nature, between:

- i.** Market risk "Hedge" - the market value adjustments for financial instruments classified to this category, and for the hedge item are recorded to income for the period.
- ii.** Cashflow hedge - the market value adjustments for derivative financial instruments classified in this category, are registered to shareholders' equity account, net of tax impacts.

The market value adjustments for derivative financial instruments that do not fulfill hedge criteria are recorded directly to income for the period.

For financial instruments traded in association with funding operations, both the financial instrument and the liability are recorded under the intrinsic terms of the contract, and are not adjusted at market value.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

e. Loans, leasing and advances on foreign exchange contracts, other credits characterized as credit assignment and provision for loan allowances

Transactions involving credit, leasing and advances on foreign exchange contracts and other credits characterized as credit assignment are classified based on management's judgment of the risk levels involved, taking into consideration the economic situation, past experience and the specific risks in relation to the transaction, the debtors and guarantors, overdue payment period, observing the parameters established by BACEN, which require that the portfolio be analyzed and classified between nine levels, being AA (minimum risk) and H (maximum risk). With respect to the overdue payment period, checked for transactions that have more than 36 (thirty six) months to run, the overdue intervals are doubled for these transactions for the nine levels. Income from loans overdue for more than 60 days, independent of the risk level, is only recognized as income when actually received.

Transactions classified to level H remain with this classification for six months, when they are then written off against the existing provision and controlled in memorandum accounts. Any renegotiated transactions are recorded, at a minimum, to the same level in which they were classified. Renegotiations from credit transactions that had been written off against the provision, and recorded to memorandum accounts, are classified as H and any gains from the renegotiations are recognized as income when actually received.

The allowance for loan losses, considered sufficient by Management, complies with the minimum requirements established by the regulation in force.

Credit operations that are objects of hedge from derivative financial instruments, are valued at their market values based on consistent criteria that can be checked. The market value adjustments from these operations are registered, when positive, to other credits - other, and when negative, to other liabilities - other, as the corresponding entries for income from loan operations.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

f. Prepaid expenses

These are recorded as investments in prepayments, for which the benefits or services will occur in future periods. Thus, based on accounting principles adopted in Brazil, prepaid expenses include costs incurred that related to assets that will generate income in subsequent periods, which are appropriated to results based on the periods and values of the expected benefits, and written off directly to results when the corresponding goods or rights are no longer part of the Company's assets or the future expected benefits can no longer be realized.

g. Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates, when applicable. Liquidation of the transactions involving these estimates could result in values that differ from the estimates, as a result of the inaccuracies inherent to the process for determining such. The Institution reviews the estimates and premises at least monthly.

h. Permanent assets

- i.** Investments in subsidiaries are valued using the equity method. Other permanent assets are stated at cost of purchase, less any provisions for loss, when applicable.
- ii.** Property, plant and equipment stated at cost, less depreciation. Depreciation is calculated using the straightline method, based on the following annual rates: facilities, Furniture and equipment for use - 10%, communication system/security/transportation - 10%, data processing system - 20%.
- iii.** Deferred charges are stated at cost of purchase or formation cost, less, amortization. Amortization is calculated using the straightline method, over the period that the benefit is generated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

i. Income tax and social contribution

Income tax was calculated at the rate of 15%, plus a surtax of 10%, and social contribution based on the rate of 9% both charged on taxable profit. The tax credit from income tax and social contribution has been recorded based on a study determining the ability to realize this credit, prepared by management.

In the subsidiary BV Leasing Arrendamento Mercantil S.A., deferred income tax is recognized, calculated at the rate of 25%, on the adjustment for the additional depreciation on the leasing portfolio.

j. Contingent assets and liabilities and legal obligations

Recognition, measurement and disclosure of contingent assets, contingent liabilities and legal obligations are made based on the criteria defined in CVM decision 489/2005, which made it compulsory to adopt NPC Statement 22, issued by the Institute of Independent Auditors in Brazil - Ibracon.

- i.** Contingent assets - these are recognized in the financial statements only when there is evidence that ensures they will be realized, and for which no more appeals can be made, with the gain considered almost certain.
- ii.** Contingent liabilities - these are recognized in the financial statements when, based on the opinion of the legal advisors and management, the risk of loss from a legal or administrative claim is considered probable, and when it is probable that funds will be required to settle the obligations, and when the amounts involved can be measured with sufficient accuracy. Contingent liabilities classified as representing possible losses are not recognized in the accounts, but only have to be disclosed in the notes to the accounts, and those classified as remote do not require a provision nor do they have to be disclosed.
- iii.** Legal obligations - Tax and social security - these are legal processes related to tax obligations, with these claims questioning the legality or constitutional nature of such, which, independent of the probability of a successful outcome from the legal processes in progress, are recognized in full in the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

k. Other assets and liabilities

Assets are shown at their realizable values, including, when applicable accrued income and inflation and foreign exchange adjustments (on a pro rata daily basis) and provisions for losses, when considered necessary. Liabilities are stated at known or calculated amounts, plus charges and monetary and foreign exchange variations incurred (on a pro rata daily basis).

Assets and liabilities that do not have a defined period, for purposes of segregation in the balance sheet, are classified as long assets and current liabilities.

4 Cash and cash equivalents

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Bank deposits	7,324	3,908	45,369	33,653
Free reserves	1,733	1,265	1,733	1,265
Foreign currency cash and cash equivalents	5,924	19,581	6,298	19,930
Other	<u>358</u>	<u>294</u>	<u>463</u>	<u>392</u>
Total	<u>15,339</u>	<u>25,048</u>	<u>53,863</u>	<u>55,240</u>

5 Interbank funds applied

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Investments on the money market				
Banked position	4,679,635	6,264,005	4,600,203	6,264,005
Financed position	5,835,783	9,127,721	5,835,783	9,127,721
Sold position	2,473,654	1,523,791	2,473,654	1,523,791
Interbank deposits	17,816,149	13,033,078	2,436,187	2,494,632
Foreign currency investments	<u>1,338,823</u>	<u>19,240</u>	<u>1,338,823</u>	<u>19,240</u>
Total	<u>32,144,044</u>	<u>29,967,835</u>	<u>16,684,650</u>	<u>19,429,389</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

6 Securities

a. Composition of the portfolio by category, domestic and overseas

Bank	2007			2006		
	Cost	Market value (book)	Unrealized (loss) gain	Cost	Market value (book)	Unrealized (loss) gain
Trading securities						
Domestic	<u>24,710,537</u>	<u>24,763,231</u>	<u>52,694</u>	<u>18,744,494</u>	<u>18,914,288</u>	<u>169,794</u>
Financial Treasury Bill	158,543	158,578	35	323,787	323,707	(80)
National Treasury Bill	218,926	218,668	(258)	2,122,564	2,129,024	6,460
National Treasury Notes	7,742,251	7,716,042	(26,209)	4,419,730	4,518,315	98,585
Debentures	13,587,684	13,652,288	64,604	9,362,038	9,401,658	39,620
Agriculture debt titles	147,037	150,230	3,193	148,840	148,840	-
Shares in stock corporations	990,324	998,410	8,086	440,014	465,223	25,209
Financial investment fund quotas	1,120,166	1,120,166	-	988,897	988,897	-
Investment fund quotas - Credit rights	674,283	674,283	-	255,360	255,360	-
Rural Product Notes	54,728	54,728	-	12,042	12,042	-
Certificates of Bank Deposit	-	-	-	638,232	638,232	-
Promissory notes	-	-	-	16,579	16,579	-
Certificates of real estate receivables	16,595	19,838	3,243	16,411	16,411	-
Overseas	<u>3,508,985</u>	<u>3,593,462</u>	<u>84,477</u>	<u>3,400,048</u>	<u>3,432,828</u>	<u>32,780</u>
Eurobonds	1,259,660	1,318,547	58,887	947,324	947,324	-
Brazilian external debt titles	203,492	211,271	7,779	256,142	264,901	8,759
Other countries - external debt titles	<u>2,045,833</u>	<u>2,063,644</u>	<u>17,811</u>	<u>2,196,582</u>	<u>2,220,603</u>	<u>24,021</u>
Total	<u>28,219,522</u>	<u>28,356,693</u>	<u>137,171</u>	<u>22,144,542</u>	<u>22,347,116</u>	<u>202,574</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2007			2006		
	Cost	Market value (book)	Unrealized (loss) gain	Cost	Market value (book)	Unrealized (loss) gain
Trading Securities						
Domestic	<u>12,523,750</u>	<u>12,609,119</u>	<u>85,369</u>	<u>10,689,669</u>	<u>10,905,201</u>	<u>215,532</u>
Financial treasury bill	159,945	159,980	35	324,356	324,276	(80)
National treasury bill	218,926	218,668	(258)	2,122,564	2,129,024	6,460
National treasury notes	7,859,571	7,866,028	6,457	4,579,724	4,724,047	144,323
Debentures	1,129,828	1,194,440	64,612	1,048,049	1,087,669	39,620
Agriculture debt titles	147,037	150,230	3,193	148,840	148,840	-
Shares in stock corporations	990,324	998,411	8,087	440,014	465,223	25,209
Financial investment fund quotas	1,120,166	1,120,166	-	988,897	988,897	-
Investment fund quotas - Credit rights	826,630	826,630	-	353,961	353,961	-
Rural Product Notes	54,728	54,728	-	12,042	12,042	-
Certificates of Bank Deposit	-	-	-	638,232	638,232	-
Promissory notes	-	-	-	16,579	16,579	-
Certificates of real estate receivables	16,595	19,838	3,243	16,411	16,411	-
Overseas	<u>3,544,024</u>	<u>3,628,500</u>	<u>84,476</u>	<u>3,411,028</u>	<u>3,443,808</u>	<u>32,780</u>
Eurobonds	1,259,660	1,318,547	58,887	958,304	958,304	-
Brazilian external debt titles	203,492	211,271	7,779	256,142	264,901	8,759
Other countries - external debt titles	<u>2,080,872</u>	<u>2,098,682</u>	<u>17,810</u>	<u>2,196,582</u>	<u>2,220,603</u>	<u>24,021</u>
Total	<u>16,067,774</u>	<u>16,237,619</u>	<u>169,845</u>	<u>14,100,697</u>	<u>14,349,009</u>	<u>248,312</u>
Bank and Consolidated						
	Cost (book)	Market value	Unrealized (loss) gain	Cost (book)	Market value	Unrealized (loss) gain
Securities held to maturity						
Overseas	<u>230,042</u>	<u>230,925</u>	<u>883</u>	<u>503,318</u>	<u>511,445</u>	<u>8,127</u>
Eurobonds	202,370	203,147	777	503,318	511,445	8,127
Other countries - external debt titles	<u>27,672</u>	<u>27,778</u>	<u>106</u>	-	-	-
Total	<u>230,042</u>	<u>230,925</u>	<u>883</u>	<u>503,318</u>	<u>511,445</u>	<u>8,127</u>

b. Composition of portfolio and maturity dates

The distribution of maturity dates considered the due dates of securities, independent of the accounting classification.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Trading securities				
Within 90 days	4,771,218	2,804,005	4,959,688	2,902,605
From 91 to 360 days	704,175	961,261	704,175	961,316
From 1 to 3 years	6,586,825	3,980,054	6,588,035	3,981,289
From 3 to 5 years	2,211,298	4,160,677	2,211,499	4,161,193
Over 5 years	<u>14,083,177</u>	<u>10,441,119</u>	<u>1,774,222</u>	<u>2,342,606</u>
Total	<u>28,356,693</u>	<u>22,347,116</u>	<u>16,237,619</u>	<u>14,349,009</u>
Securities held to maturity				
Within 90 days	230,042	89,554	230,042	89,554
From 91 to 360 days	-	125,924	-	125,924
From 1 to 3 years	<u>-</u>	<u>287,840</u>	<u>-</u>	<u>287,840</u>
Total	<u>230,042</u>	<u>503,318</u>	<u>230,042</u>	<u>503,318</u>

7 Derivative financial instruments

a. Composition of derivative financial instruments in equity accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Assets				
Differential receivable from swap	2,685,492	2,239,270	2,384,571	2,095,079
Forward contracts	970,370	149,815	970,370	149,815
Purchase of purchase options - shares	7,155	5,041	7,155	5,041
Purchase of sale options - shares	1,981	2,485	1,981	2,485
Purchase of purchase options - fin. asset./merc.	116,201	54,394	116,201	54,394
Purchase of sale options - fin. asset./merc.	55,971	2,781	55,971	2,782
Other	<u>97,526</u>	<u>-</u>	<u>97,526</u>	<u>-</u>
Total	<u>3,934,696</u>	<u>2,453,786</u>	<u>3,633,775</u>	<u>2,309,596</u>
Liabilities				
Differential payable from swap	1,001,660	473,837	1,166,458	463,065
Forward contracts	973,799	160,979	973,799	160,979
Sale of purchase options - shares	8,843	7,281	8,843	7,281
Sale of sale options - shares	-	1,548	-	1,548

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2007	2006	2007	2006
Sale of purchase options - fin. asset./merc.	129,436	54,787	129,436	54,787
Sale of sale options - fin. asset./merc.	118,968	2,111	118,968	2,111
Other	<u>2,661,090</u>	<u>3,149,432</u>	<u>2,661,090</u>	<u>3,149,432</u>
Total	<u>4,893,796</u>	<u>3,849,975</u>	<u>5,058,594</u>	<u>3,839,203</u>

b. Composition of swap contracts by indexer

Bank	2007			2006		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Hedge instruments						
Asset position	<u>33,622,917</u>	<u>36,750,959</u>	<u>36,920,520</u>	<u>21,544,736</u>	<u>24,954,979</u>	<u>24,885,430</u>
DI	11,466,449	13,914,401	13,915,119	9,506,950	12,094,604	12,054,034
Dollar	8,670,012	8,433,095	8,601,157	5,048,320	5,038,189	5,066,277
Euro	10,065	9,147	9,147	69,134	67,424	67,387
IGPM	3,071,891	3,502,841	3,566,405	2,939,381	3,280,591	3,317,888
IPCA	634,659	729,095	734,387	325,569	367,833	374,623
Prefixed	7,259,018	7,618,428	7,540,996	3,589,337	3,840,317	3,866,962
TRM	30,000	32,946	32,957	10,000	10,342	10,653
Libor	1,131,177	1,130,216	1,135,936	56,045	255,679	127,606
Yen	722,969	722,969	722,969	-	-	-
Lira	605,614	636,978	640,498	-	-	-
Nickel	21,063	20,843	20,949	-	-	-
Liabilities position	<u>33,622,917</u>	<u>35,097,407</u>	<u>35,236,688</u>	<u>21,544,736</u>	<u>23,201,368</u>	<u>23,119,997</u>
DI	9,806,822	10,666,238	10,676,435	9,470,911	10,389,998	10,406,886
Dollar	9,547,651	9,115,278	9,232,621	5,770,442	5,570,167	5,505,379
Euro	8,318	7,739	7,609	81,481	81,847	81,847
IGPM	3,780,850	4,342,685	4,405,349	2,647,850	3,062,138	3,102,847
IPCA	2,501,434	2,920,544	2,948,498	1,587,365	1,749,040	1,828,258
Prefixed	4,022,438	3,969,547	3,968,727	1,571,094	1,913,691	1,761,245
TRM	164,000	193,178	195,963	165,000	173,287	177,469
Libor	1,485,448	1,505,475	1,475,374	-	-	-
Yen	17,863	17,947	17,924	-	-	-
Lira	2,237,038	2,304,753	2,254,165	233,253	243,625	238,530
Commodities	26,848	27,735	27,735	-	-	-
TJLP	<u>24,207</u>	<u>26,288</u>	<u>26,288</u>	<u>17,340</u>	<u>17,575</u>	<u>17,536</u>
Total	-	<u>1,653,552</u>	<u>1,683,832</u>	-	<u>1,753,611</u>	<u>1,765,433</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2007			2006		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Hedge instruments						
Asset position	<u>34,041,636</u>	<u>36,985,839</u>	<u>37,146,532</u>	<u>18,853,265</u>	<u>21,974,869</u>	<u>22,044,990</u>
DI	10,810,511	13,071,951	13,072,670	7,488,164	10,241,197	10,200,566
Dollar	9,701,669	9,465,068	9,624,179	4,662,904	4,491,675	4,522,036
Euro	10,065	9,147	9,147	69,133	67,424	67,387
IGPM	3,114,891	3,548,198	3,611,844	2,939,381	3,280,592	3,317,888
IPCA	634,659	729,095	734,387	325,569	367,834	374,624
Prefixed	7,259,018	7,618,428	7,540,996	3,302,069	3,260,128	3,424,231
TRM	30,000	32,946	32,957	10,000	10,342	10,653
Libor	1,131,177	1,130,216	1,135,936	56,045	255,677	127,605
Yen	722,969	722,969	722,969	-	-	-
Lira	605,614	636,978	640,498	-	-	-
Nickel	21,063	20,843	20,949	-	-	-
Liability position	<u>34,041,636</u>	<u>35,792,012</u>	<u>35,928,419</u>	<u>18,853,265</u>	<u>20,349,553</u>	<u>20,412,976</u>
DI	10,881,479	11,897,122	11,907,316	8,854,269	9,832,525	9,849,161
Dollar	8,848,713	8,533,643	8,648,030	3,997,784	3,881,344	3,824,451
Euro	8,318	7,738	7,609	81,481	81,847	81,847
IGPM	3,823,850	4,388,041	4,450,788	2,647,850	3,062,138	3,102,847
IPCA	2,501,434	2,920,544	2,948,498	1,587,365	1,749,041	1,828,259
Prefixed	4,022,438	3,969,547	3,968,727	1,268,923	1,308,171	1,292,846
TRM	164,000	193,178	195,963	165,000	173,287	177,469
Libor	1,485,448	1,505,475	1,475,374	-	-	-
Yen	17,863	17,948	17,925	-	-	-
Lira	2,237,038	2,304,753	2,254,166	233,253	243,625	238,530
Commodities	26,848	27,735	27,735	-	-	-
TJLP	<u>24,207</u>	<u>26,288</u>	<u>26,288</u>	<u>17,340</u>	<u>17,575</u>	<u>17,566</u>
Total	<u>-</u>	<u>1,193,827</u>	<u>1,218,113</u>	<u>-</u>	<u>1,625,316</u>	<u>1,632,014</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Composition of term contracts by type

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Hedge instruments				
Asset position	<u>970,370</u>	<u>149,815</u>	<u>970,370</u>	<u>149,815</u>
Purchase commitment - shares	-	13,100	-	13,100
Sales commitment - shares	970,370	136,715	970,370	136,715
Liability position	<u>973,799</u>	<u>160,979</u>	<u>973,799</u>	<u>160,979</u>
Purchase commitment - shares	-	10,308	-	10,308
Sales commitment - shares	973,799	150,671	973,799	150,671

d. Composition of futures contracts by indexer

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Hedge instruments				
Purchase commitment	<u>7,871,252</u>	<u>20,087,815</u>	<u>7,899,411</u>	<u>21,515,200</u>
DDI	2,793,500	4,893,879	2,793,500	5,700,512
Euro	3,698	231	3,698	231
Dollar	743,405	1,473,097	771,564	1,585,146
DI	3,268,793	13,311,181	3,268,793	13,819,884
Reais	667,780	409,427	667,780	409,427
T-Note	322,313	-	322,313	-
Index	71,763	-	71,763	-
Sales commitment	<u>29,531,656</u>	<u>20,222,685</u>	<u>45,865,314</u>	<u>21,590,060</u>
DDI	3,931,542	5,009,235	3,074,771	5,733,819
Dollar	4,817,104	2,412,478	4,817,104	2,942,683
Euro	7,172	-	7,172	-
Reais	185,986	-	185,986	-
DI	20,369,350	12,643,389	37,559,779	12,755,975
T-Note	216,917	-	216,917	-
Index	3,585	157,583	3,585	157,583

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

e. Composition of option contracts by indexer

Bank and Consolidated	2007		2006	
	Contracted value	Market value (book)	Contracted value	Market value (book)
Hedge instruments				
Shares	(106,800)	293	(597,917)	(1,303)
Dollar	(562,388)	(72,835)	(45,370)	414
Br Exit	-	-	(74,830)	(551)
DI	(467,975)	(6,984)	-	-
Index	2,615	(903)	(272,550)	398
Flexible	<u>226,307</u>	<u>4,490</u>	<u>1,210</u>	<u>16</u>
Total	<u>(908,241)</u>	<u>(75,939)</u>	<u>(989,457)</u>	<u>(1,026)</u>

f. Composition of derivative financial instruments by maturity dates

Asset accounts	Bank		Consolidated	
	2007	2006	2007	2006
Within 90 days	(1,978,420)	(574,751)	(2,013,060)	(650,338)
From 91 a 360 days	437,546	313,792	509,897	46,178
From 1 a 3 years	481,552	(1,202,340)	250,368	(578,535)
From 3 a 5 years	125,193	88,716	(157,523)	(338,719)
Over 5 years	(24,971)	(21,606)	(14,501)	(8,193)
Total	<u>(959,100)</u>	<u>(1,396,189)</u>	<u>(1,424,819)</u>	<u>(1,529,607)</u>

g. Margin offered in guarantee on stock, futures and commodity exchanges

Public securities	Bank		Consolidated	
	2007	2006	2007	2006
National treasury notes	2,245,974	1,125,466	2,308,225	1,179,271
National treasury bill	-	168,270	-	168,270
Financial treasury bill	<u>9,947</u>	<u>79,829</u>	<u>9,947</u>	<u>79,829</u>
Total	<u>2,255,921</u>	<u>1,373,565</u>	<u>2,318,172</u>	<u>1,427,370</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

8 Loans, leasing, advances on foreign exchange contracts, and other credits characterized as credit concessions and allowance for loan losses

a. Composition of operations by type

	Bank		Consolidated	
	2007	2006	2007	2006
Advances to deposit holders	1,659	444	1,659	444
Borrowings	5,530,448	2,094,567	5,530,448	2,094,567
Discounted bills	18,273	30,283	18,273	30,283
Guaranteed account	132,777	72,678	132,777	72,678
Credit cards	-	-	791	-
Personal credit	30,157	821,421	2,058,385	2,123,885
Direct consumer credit	-	-	13,568,279	9,288,738
Compror	192,792	50,228	192,792	50,228
Financing Rural and agricultural-industrial	273,325	182,034	273,325	182,034
Financing for securities	159,561	142,223	159,561	142,223
Financing for infrastructure and development	2,824,978	2,029,163	2,824,978	2,029,163
Financing for exports	1,209,826	343,152	1,209,826	343,152
Other	<u>193,670</u>	<u>61,882</u>	<u>193,670</u>	<u>61,937</u>
Subtotal	<u>10,567,466</u>	<u>5,828,075</u>	<u>26,164,764</u>	<u>16,419,332</u>
Lease operations	-	-	67,610	46,400
Advances on foreign exchange/export contracts (*)	521,634	339,457	521,634	339,457
Other receivables (**)	<u>11,307</u>	<u>15,914</u>	<u>11,307</u>	<u>15,914</u>
Total loans	<u>11,100,407</u>	<u>6,183,446</u>	<u>26,765,315</u>	<u>16,821,103</u>
Sureties and guarantees (***)	<u>5,386,025</u>	<u>3,165,574</u>	<u>5,386,025</u>	<u>3,165,574</u>
Total	<u><u>16,486,432</u></u>	<u><u>9,349,020</u></u>	<u><u>32,151,340</u></u>	<u><u>19,986,677</u></u>

(*) The advances on foreign exchange contracts are classified as deductions against the heading "other liabilities".

(**) The heading "other credits" includes credits for sureties and guarantees honored, income receivable from foreign exchange contracts and credits from export contracts.

(***) Recorded to memorandum accounts.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Composition of operations by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Loans overdue				
More than 15 days	15,537	8,434	318,043	225,484
Loans to fall due				
Within 90 days	2,011,738	1,705,871	4,311,406	3,478,069
From 91 to 360 days	2,959,407	1,817,292	8,331,405	5,802,326
From 1 to 3 years	3,502,281	1,930,072	10,212,103	6,286,391
From 3 to 5 years	1,535,984	514,347	2,483,067	816,098
Over 5 years	<u>1,075,460</u>	<u>207,430</u>	<u>1,109,291</u>	<u>212,735</u>
Total	<u>11,100,407</u>	<u>6,183,446</u>	<u>26,765,315</u>	<u>16,821,103</u>

c. Concentration of operations

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Ten largest debtors	2,774,819	1,804,578	2,795,329	1,821,093
Fifty largest debtors	4,194,696	2,430,528	4,228,840	2,456,861
One hundred largest debtors	2,219,070	1,175,111	2,255,424	1,203,577
Other debtors	<u>1,911,822</u>	<u>773,229</u>	<u>17,485,722</u>	<u>11,339,572</u>
Total	<u>11,100,407</u>	<u>6,183,446</u>	<u>26,765,315</u>	<u>16,821,103</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

d. Composition of operations by economic activity sector

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Corporate entities	<u>9,486,262</u>	<u>5,361,020</u>	<u>10,349,546</u>	<u>6,095,749</u>
Public sector				
State	182,856	200,725	182,856	200,725
Private sector				
Industry	5,937,872	2,738,537	5,938,605	2,739,711
Commercial	944,013	556,116	1,753,361	1,259,173
Rural	256,346	182,014	256,346	182,034
Services	2,142,852	1,654,305	2,192,818	1,680,249
Financial institutions	22,323	29,323	25,560	33,857
Individuals	<u>1,614,145</u>	<u>822,426</u>	<u>16,415,769</u>	<u>10,725,354</u>
Total	<u>11,100,407</u>	<u>6,183,446</u>	<u>26,765,315</u>	<u>16,821,103</u>

e. Composition of operations at the corresponding risk levels

Bank	<u>2007</u>			<u>2006</u>		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	5,560,475	-	5,560,475	1,991,364	-	1,991,364
A	2,370,807	-	2,370,807	1,774,151	-	1,774,151
B	2,784,092	3,445	2,787,537	1,153,325	7,748	1,161,073
C	265,417	10,606	276,023	1,151,085	3,747	1,154,832
D	86,485	1,693	88,178	93,504	1,611	95,115
E	6,935	421	7,356	2,875	2,539	5,414
F	303	920	1,223	-	-	-
G	3,673	879	4,552	214	-	214
H	-	4,256	4,256	1,283	-	1,283
Total	<u>11,078,187</u>	<u>22,220</u>	<u>11,100,407</u>	<u>6,167,801</u>	<u>15,645</u>	<u>6,183,446</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated Risk level	2007			2006		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	6,431,285	-	6,431,285	2,596,502	-	2,596,502
A	15,375,964	-	15,375,964	10,266,181	-	10,266,181
B	2,820,479	669,475	3,489,954	1,209,110	556,442	1,765,552
C	275,077	410,059	685,136	1,175,702	411,318	1,587,020
D	94,290	152,636	246,926	104,208	112,503	216,711
E	8,451	99,339	107,790	6,004	82,395	88,399
F	1,358	79,486	80,844	630	57,656	58,286
G	4,401	59,727	64,128	675	46,585	47,260
H	<u>10,543</u>	<u>272,745</u>	<u>283,288</u>	<u>4,360</u>	<u>190,832</u>	<u>195,192</u>
Total	<u>25,021,848</u>	<u>1,743,467</u>	<u>26,765,315</u>	<u>15,363,372</u>	<u>1,457,731</u>	<u>16,821,103</u>

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

Risk level	Provision %	Bank		Consolidated	
		2007	2006	2007	2006
A	0,5	11,854	8,871	76,842	51,289
B	1,0	27,875	11,611	34,899	17,656
C	3,0	8,281	34,645	20,554	47,611
D	10,0	8,778	9,512	24,652	21,671
E	30,0	2,328	1,624	32,458	26,520
F	50,0	611	-	40,423	29,142
G	70,0	3,188	150	44,890	33,082
H	100,0	<u>4,256</u>	<u>1,283</u>	<u>283,288</u>	<u>195,192</u>
Subtotal		<u>67,171</u>	<u>67,696</u>	<u>558,006</u>	<u>422,163</u>
Complementary provision (*)		-	-	<u>7,596</u>	<u>8,704</u>
Total		<u>67,171</u>	<u>67,696</u>	<u>565,602</u>	<u>430,867</u>
Percentage of portfolio		<u>0.60%</u>	<u>1.09%</u>	<u>2.11%</u>	<u>2.56%</u>

(*) Corresponds to the additional provision for 100% of the balance for differences not settled from leasing contracts indexed to the dollar, which are being legally disputed, and included in risk level "A".

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

g. Movement on the allowance for loan losses

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Opening balance	67,696	34,197	430,867	218,196
Constitutions/ (reversals)	366	33,678	543,568	426,596
Write off to losses	(469)	(39)	(408,411)	(213,785)
Foreign exchange variation on overseas provisions	(422)	(140)	(422)	(140)
Closing balance	<u>67,171</u>	<u>67,696</u>	<u>565,602</u>	<u>430,867</u>

h. Additional information

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Credits renegotiated during the period	429,586	999,510	572,071	1,159,957
Credits recovered during the period previously written off as losses (*)	-	-	60,400	25,719
Credits granted during the period (**)	-	-	1,702,643	1,280,384

(*) Recorded in the statement of income to “income from loan operations”,

(**) Assignments were made from the financing portfolio belonging to the subsidiary BV Financeira S.A. to BV Financeira Fundo de Investimento em Direitos Creditórios I and to BV Financeira Fundo de Investimento em Direitos Creditórios II. The value of the credits assigned amounted to R\$1,879,109 (2006 - R\$ 1,395,660).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

9 Other receivables - Foreign exchange portfolio

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Unsettled foreign exchange purchased	638,616	414,598	638,616	414,598
Advances in foreign currency received	(21,246)	-	(21,246)	-
Rights from the sale of foreign exchange	240,335	365,566	240,335	365,566
Advances in domestic currency received	(753)	(36,346)	(753)	(36,346)
Income receivable from advances granted	11,241	8,014	11,241	8,014
Income receivable from financed imports	66	334	66	334
Expenses to appropriate from advances received	<u>6</u>	<u>72</u>	<u>6</u>	<u>72</u>
Total	<u>868,265</u>	<u>752,238</u>	<u>868,265</u>	<u>752,238</u>

10 Other receivables - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Exchanges - Deposits in guarantee	18,467	70,264	18,947	70,264
Clearing department	119,064	13,402	119,064	35,877
Debtors account settlement pending	42,381	7,950	51,220	22,076
Other	<u>-</u>	<u>43</u>	<u>-</u>	<u>43</u>
Total	<u>179,912</u>	<u>91,659</u>	<u>189,231</u>	<u>128,260</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

11 Others receivables - Sundry

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Advances on salaries and vacation	650	594	1,633	1,207
Tax credits	50,253	143,752	395,738	404,100
Deposits in guarantee	5,867	4,120	12,703	6,614
Taxes and contributions to compensate	137,572	66,774	338,214	174,580
Options for fiscal incentives	13,271	8,983	28,224	13,423
Receivable from associated companies	853	697	-	697
Market value adjustment - Loans	-	-	-	173,618
Securities and credits receivable	43,322	-	43,322	-
Receivable from sale of securities overseas	37,265	268,693	58,530	268,693
Other	<u>715</u>	<u>10,398</u>	<u>22,837</u>	<u>19,855</u>
Total	<u>289,768</u>	<u>504,011</u>	<u>901,201</u>	<u>1,062,787</u>

12 Other assets - Prepaid expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Commission paid to traders acting as intermediaries for operations	-	-	741,739	453,272
Debenture placements	-	-	4,242	2,488
Other	<u>2,762</u>	<u>2,057</u>	<u>42,252</u>	<u>28,969</u>
Total	<u>2,762</u>	<u>2,057</u>	<u>788,233</u>	<u>484,729</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

13 Investments

Interest in subsidiaries in the country and abroad

	Movements for the subsidiary							Movements for Parent				
	Number of shares/quotas at 12/31/06	Capital at 12/31/06	Shareholders equity at 12/31/06	Income/(loss) for the period	Dividends /interest on own capital paid/proposed	Adjustments directly to shareholders' equity	Shareholders' equity at 12/31/07	Number of shares/quotas held	Equity in earnings of subsidiaries	Foreign exchange variation /Other	Book value at 12/31/07	Book value at 12/31/06
Domestic											<u>2,467,053</u>	<u>1,727,708</u>
Votorantim CTVM Ltda.	20,181	59,250	126,483	139,425	(58,670)	2,893	210,131	20,177	97,386	-	210,089	126,458
Votorantim Asset Manag. DTVM Ltda.	9,000,000	9,000	72,309	24,962	-	359	97,630	8,999,800	25,319	-	97,627	72,308
BV Financeira S.A.	126,361	342,000	638,576	311,602	-	9,385	959,563	126,353	320,967	-	959,503	638,536
BV Leasing Arred. Merc. S.A.	510,404	496,200	890,417	59,229	-	250,202	1,199,848	510,398	309,428	-	1,199,834	890,406
Foreign											<u>2,682</u>	<u>9,863</u>
Votorantim Bank Limited	24,785,984	88,279	4,729	(3,500)	-	-	1,229	1,000,000	228	(3,730)	1,227	4,729
Banco Votorantim Securities, Inc.	3,000,000	6,414	5,134	(3,171)	-	-	1,963	3,000,000	(3,047)	(632)	1,455	5,134

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Other investments

	Bank		Consolidated	
	2007	2006	2007	2006
Investments in fiscal incentives	4,392	4,392	7,652	7,653
Membership certificates - BOVESPA	-	-	-	7,320
Membership certificates - BM&F	-	4,397	-	9,018
Membership certificates - CETIP	11	11	47	47
Shares and quotas	-	6,302	-	6,302
Other	<u>274</u>	<u>275</u>	<u>504</u>	<u>504</u>
Total	<u>4,677</u>	<u>15,377</u>	<u>8,203</u>	<u>30,844</u>

14 Fixed assets

Bank	2007			2006
	Cost	Depreciation	Net	Net
Facilities	415	(71)	344	385
Furniture and equipment for use	10,528	(4,241)	6,287	4,383
Communication system	5,619	(2,741)	2,878	2,610
Data processing system	23,663	(16,899)	6,764	6,065
Security system	483	(369)	114	64
Transportation system	<u>1,868</u>	<u>(1,011)</u>	<u>857</u>	<u>1,030</u>
Total	<u>42,576</u>	<u>(25,332)</u>	<u>17,244</u>	<u>14,537</u>

Consolidated	2007			2006
	Cost	Depreciation	Net	Net
Facilities	4,015	(1,304)	2,711	2,482
Furniture and equipment for use	20,264	(7,161)	13,103	10,351
Communication system	14,114	(5,528)	8,586	7,683
Data processing system	65,074	(37,111)	27,963	22,003
Security system	817	(632)	185	159
Transportation system	<u>2,312</u>	<u>(1,221)</u>	<u>1,091</u>	<u>1,070</u>
Total	<u>106,596</u>	<u>(52,957)</u>	<u>53,639</u>	<u>43,748</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

15 Deferred charges

Bank	2007			2006
	Cost	Amortization	Net	Net
Leasehold expenditures	15,575	(9,873)	5,702	4,726
Consolidated	2007			2006
	Cost	Amortization	Net	Net
Leasehold expenditures	62,449	(35,686)	26,763	24,538
Expenditures acq. development of software	<u>3,277</u>	<u>(72)</u>	<u>3,205</u>	<u>1,009</u>
Total	<u>65,726</u>	<u>(35,758)</u>	<u>29,968</u>	<u>25,547</u>

16 Deposits

a. Composition of the portfolio by type and counterparty

	Bank		Consolidated	
	2007	2006	2007	2006
Demand deposits	334,945	64,763	348,086	77,996
Time deposits	13,830,542	18,846,044	13,850,244	18,869,585
Interbank deposits	19,456,025	12,465,773	971,355	687,396
Deposits for investments	<u>7,906</u>	<u>6,304</u>	<u>7,906</u>	<u>6,304</u>
Total	<u>33,629,418</u>	<u>31,382,884</u>	<u>15,177,591</u>	<u>19,641,281</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Composition of the portfolio by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Without due dates	334,945	64,763	348,086	77,996
Within 90 days	5,159,655	4,142,639	4,971,158	4,114,108
From 91 to 360 days	5,915,243	5,292,532	5,221,219	4,853,755
From 1 to 3 years	8,302,721	21,875,652	4,607,024	10,595,422
From 3 to 5 years	4,617,599	4,367	29,566	-
Over 5 years	<u>9,299,255</u>	<u>2,931</u>	<u>538</u>	<u>-</u>
Total	<u>33,629,418</u>	<u>31,382,884</u>	<u>15,177,591</u>	<u>19,641,281</u>

17 Money market repurchase commitments

a. Composition of the portfolio by counterparty

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
From related parties	736,476	459,880	-	-
From non related parties	<u>23,391,830</u>	<u>16,413,156</u>	<u>23,391,831</u>	<u>16,418,531</u>
Total	<u>24,128,306</u>	<u>16,873,036</u>	<u>23,391,831</u>	<u>16,418,531</u>

b. Composition of the portfolio by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Within 90 days	10,594,311	9,726,925	9,857,836	9,451,752
From 91 to 360 days	7,489,594	4,512,313	7,489,594	4,332,981
From 1 to 3 years	5,993,245	2,633,798	5,993,245	2,633,798
From 3 to 5 years	50,518	-	50,518	-
Over 5 years	<u>638</u>	<u>-</u>	<u>638</u>	<u>-</u>
Total	<u>24,128,306</u>	<u>16,873,036</u>	<u>23,391,831</u>	<u>16,418,531</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

18 Acceptances and endorsements

a. Composition of the portfolio by type

	Correction rates	Bank		Consolidated	
		2007	2006	2007	2006
Debentures		-	-	2,722,174	2,492,020
With exchange rate variation	PTAX+12.0436% p.a.	-	-	1,665,978	1,005,437
Post-fixed	DI+ 0.35% p.a.	-	-	1,056,196	-
Post-fixed	DI+ 0.5% p.a.	-	-	-	1,486,583
Obligations from overseas securities		<u>2,100,622</u>	<u>2,716,327</u>	<u>2,100,622</u>	<u>2,716,327</u>
With exchange rate variation	PTAX+up to 14.28% p.a.	2,100,622	2,716,327	2,100,622	2,716,327
Total		<u>2,100,622</u>	<u>2,716,327</u>	<u>4,822,796</u>	<u>5,208,347</u>

b. Composition of the portfolio by maturity dates

	Bank		Consolidated	
	2007	2006	2007	2006
Within 90 days	262,970	217,529	262,970	217,529
From 91 to 360 days	246,593	229,210	449,023	336,321
From 1 to 3 years	289,660	337,429	289,660	1,342,866
From 3 to 5 years	168,281	-	2,688,025	1,379,472
Over 5 years	<u>1,133,118</u>	<u>1,932,159</u>	<u>1,133,118</u>	<u>1,932,159</u>
Total	<u>2,100,622</u>	<u>2,716,327</u>	<u>4,822,796</u>	<u>5,208,347</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

19 Borrowing and repasses

a. Composition of the portfolio by type

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Domestic repasses				
With exchange rate variation	120,955	45,947	120,955	45,947
Overseas repasses				
With exchange rate variation	2,238,086	1,521,880	2,238,086	1,521,880
Domestic repasses - BNDES				
Post-fixed	2,047,125	1,440,160	2,047,125	1,440,160
Domestic repasses - FINAME				
Post-fixed	<u>1,044,902</u>	<u>770,949</u>	<u>1,078,072</u>	<u>783,486</u>
Total	<u>5,451,068</u>	<u>3,778,936</u>	<u>5,484,238</u>	<u>3,791,473</u>

b. Composition of the portfolio by maturity dates

Maturity dates	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Within 90 days	878,355	1,017,685	887,817	1,018,530
From 91 to 360 days	1,602,727	1,057,310	1,602,892	1,059,837
From 1 to 3 years	1,966,884	1,075,583	1,966,449	1,081,964
From 3 to 5 years	804,989	562,073	822,045	564,857
Over 5 years	<u>198,113</u>	<u>66,285</u>	<u>205,035</u>	<u>66,285</u>
Total	<u>5,451,068</u>	<u>3,778,936</u>	<u>5,484,238</u>	<u>3,791,473</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

20 Other liabilities - Foreign exchange portfolio

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Unsettled foreign exchange sold	241,294	365,534	241,294	365,534
Financed import - Exchange contracted	-	(7,278)	-	(7,278)
Obligations from the purchase of foreign Currency	672,202	420,470	672,202	420,470
Advances against exchange contract	(521,634)	(339,457)	(521,634)	(339,457)
Total	<u>391,862</u>	<u>439,269</u>	<u>391,862</u>	<u>439,269</u>

21 Other liabilities - Social and statutory

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Dividends/Interest on shareholders' equity/ Benefits payable	150,000	265,200	150,000	272,700
Provision for profit sharing	42,482	28,059	121,418	87,359
Other	<u>4,366</u>	<u>-</u>	<u>4,434</u>	<u>-</u>
Total	<u>196,848</u>	<u>293,259</u>	<u>275,852</u>	<u>360,059</u>

22 Other liabilities - Tax and social security

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Taxes and contributions on income payable	212,294	120,986	585,697	326,572
Taxes and contributions payable	56,988	95,853	82,479	115,826
Other taxes and contributions (legal obligations - legal processes)	331,651	251,468	525,049	341,576
Provision for deferred taxes and contributions	163,576	346,574	234,596	437,657
Provision for tax risks	<u>8,157</u>	<u>7,752</u>	<u>13,285</u>	<u>53,948</u>
Total	<u>772,666</u>	<u>822,633</u>	<u>1,441,106</u>	<u>1,275,579</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

23 Other liabilities - Due in connection with securities

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Clearing department	112,602	53,659	116,590	53,868
Creditors account settlement pending	78,473	935	84,137	27,750
Creditors for share loans	207,670	2,800	207,670	2,800
Other	<u>44,406</u>	<u>1,681</u>	<u>55,594</u>	<u>23,745</u>
Total	<u>443,151</u>	<u>59,075</u>	<u>463,991</u>	<u>108,163</u>

24 Other liabilities - Subordinated debts

	Correction Rate	<u>Bank</u>		<u>Consolidated</u>	
		2007	2006	2007	2006
Bank deposit certificates					
Post-fixed	DI	1,118,215	-	1,118,215	-
Debentures (*)					
Post-fixed	DI + 0.5% p.a	<u>-</u>	<u>-</u>	<u>1,460,627</u>	<u>-</u>
Total		<u>1,118,215</u>	<u>-</u>	<u>2,578,842</u>	<u>-</u>

(*) On June 19, 2007, the first series debentures - 1st issue - of subsidiary BV Leasing Arrendamento Mercantil S.A. were considered eligible to capital level II, in the capacity of subordinated debt. In conformity with BACEN Resolution 3444/07, this resource is added to the calculation for determination of the Reference Equity, for purposes of verification of compliance with the operating limits.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

25 Other liabilities - Other

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Provision for personnel expenses	10,918	4,360	27,841	14,702
Provision other administrative expenses	8,337	7,382	22,479	18,076
Provision for contingent liabilities	747	501	46,940	26,025
Purchase of securities	802,696	279,031	802,696	279,031
Market value adjustment - Loans	-	-	192,958	-
Other	<u>44,783</u>	<u>39,377</u>	<u>153,421</u>	<u>69,003</u>
Total	<u>867,481</u>	<u>330,651</u>	<u>1,246,335</u>	<u>406,837</u>

26 Shareholders' equity

a. Capital

The subscribed and paid in capital is represented by 74,126,202,673 ordinary shares with no par value.

b. Dividends

The shareholders are guaranteed a minimum dividend equivalent to 25% of net income for the year, less legal reserve.

At an Extraordinary General Meeting held on June 29, 2007 the shareholders approved the distribution of dividends in the amount of R\$ 50,000 (R\$ 0.67 per one thousand shares).

At an Extraordinary General Meeting held on December 28, 2007 the shareholders approved the distribution of dividends in the amount of R\$ 150,000 (R\$ 2.02 per lot of one thousand shares).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Capital reserves

On December 31, 2007, capital reserves were recorded, basically from allocation of tax incentives for the amount of R\$ 13,318 (2006 - R\$ 9,030) and the correction of membership certificates, for the amount of R\$ 8,108 (2006 - R\$ 6,327). Capital reserve can be used to increase capital or to compensate losses.

d. Revenue reserve

Legal reserve

Compulsory requirement, based on 5% of net income for the year, up to the limit of 20% of realized capital, or 30% of capital, plus the capital reserve. The appropriation is not compulsory after this limit the legal reserve can only be used to increase capital or to compensate losses.

Expansion reserve

During the General meeting to approve the accounts for 2007, the capital budget will be considered, which justifies the allocation of profit not distributed to the "Expansion reserve".

e. Prior year adjustments

In 2006, Management made an alteration in the calculation methodology of the market value evaluation of the financing portfolio of subsidiary BV Financeira S.A. On account of the respective alteration, the amount of R\$ 379,600 was recorded in retained earnings.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

27 Service fee income

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Credit facility rate	-	-	332,691	245,885
Administration of investment funds	-	-	77,399	46,279
Brokerage exchange operations	-	-	25,225	16,032
Commissions on placing of securities	24,590	8,541	25,896	8,885
Services rendered associated companies	7,330	6,857	-	-
Income from guarantees provided	32,574	20,393	32,574	46,252
Other	<u>10,592</u>	<u>11,638</u>	<u>198,464</u>	<u>87,533</u>
Total	<u>75,086</u>	<u>47,429</u>	<u>692,249</u>	<u>450,866</u>

28 Personnel expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Fees	12,275	15,221	24,424	27,998
Benefits	14,346	10,329	55,979	40,753
Social security charges	21,988	18,205	59,400	49,013
Salaries	64,443	66,681	166,207	121,013
Training	1,598	1,197	3,821	2,449
Other	-	<u>2,001</u>	-	<u>26,884</u>
Total	<u>114,650</u>	<u>113,634</u>	<u>309,831</u>	<u>268,110</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

29 Other administrative expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Rental	7,447	6,556	22,535	18,270
Communications	5,585	4,698	45,112	37,455
Maintenance and Conservation of fixed assets	1,692	1,457	25,227	22,946
Data processing	29,481	18,645	62,298	56,389
Promotions and public relations	4,739	3,485	51,889	47,800
Publicity and advertising	2,628	502	10,003	7,405
Publications	692	3,279	1,219	4,604
Financial system services	4,829	2,710	54,327	32,070
Outsourced services	2,585	1,897	43,044	29,714
Specialized technical services	28,296	15,365	139,043	79,820
Amortization	2,612	1,023	11,347	7,305
Depreciation	3,782	3,522	11,384	9,635
Transportation	1,190	925	10,641	7,615
Travel	2,902	3,442	21,725	18,996
Other	<u>14,325</u>	<u>8,139</u>	<u>128,962</u>	<u>83,390</u>
Total	<u>112,785</u>	<u>75,645</u>	<u>638,756</u>	<u>463,414</u>

30 Other operational income

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Recovery of charges and expenses	38	10,481	11,263	3,126
Price-level restatement of assets	343	-	809	3,896
Reversal of operating provisions	-	-	54,094	-
Premium in the issuance of debentures	-	-	250,000	250,000
Other	<u>39,921</u>	<u>19,329</u>	<u>60,382</u>	<u>33,775</u>
Total	<u>40,302</u>	<u>29,810</u>	<u>376,548</u>	<u>290,797</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

31 Other operational expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Price-level restatement of liabilities	22,895	10,032	39,627	27,481
Exchange variance overseas investments	162,000	96,666	199,290	66,922
Commissions paid for acting as intermediary	6,997	2,480	709,309	536,513
Provision for contingent liabilities	-	-	20,999	13,862
Discounts granted	-	-	722	716
Other	<u>26,353</u>	<u>15,157</u>	<u>107,320</u>	<u>94,240</u>
Total	<u>218,245</u>	<u>124,335</u>	<u>1,077,267</u>	<u>739,734</u>

32 Income tax and social contribution

a. Charges due on operations

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Income before income tax, social contribution and profit share	1,364,715	1,124,185	1,787,980	1,331,513
Charges at the nominal rates of 25% and 9%	(464,003)	(382,223)	(607,913)	(452,714)
Exclusions/(additions)	<u>251,709</u>	<u>261,237</u>	<u>22,216</u>	<u>126,142</u>
Income sharing	26,364	17,374	77,656	55,213
Tax loss and negative social contribution base	95,053	52,801	95,053	54,415
Equity in earning of subsidiaries	252,046	163,155	-	-
Results of subsidiary and branch overseas	(15,164)	(38,121)	(15,164)	(38,121)
Non-taxable interest on securities	116,620	16,241	119,826	20,231
Interest on shareholders' equity	-	165,563	-	192,389
Allowance for loan losses	264	(11,108)	(73,281)	(111,408)
Market adjustment Circulares 3068 and 3082	(8,466)	(10,136)	(139,687)	45,246
Derivatives - Law 11051	(174,532)	(90,079)	(68,769)	(162,024)
Provision for contingent liabilities	(123)	-	(6,401)	(3,187)
Other	(40,353)	(4,453)	32,983	73,388
Current income tax and social contribution	<u>(212,294)</u>	<u>(120,986)</u>	<u>(585,697)</u>	<u>(326,572)</u>
Deferred income tax and social contribution	<u>182,998</u>	<u>100,215</u>	<u>202,762</u>	<u>49,815</u>
Total income tax and social contribution	<u>(29,296)</u>	<u>(20,771)</u>	<u>(382,935)</u>	<u>(276,757)</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Deferred income tax and social contribution affecting the results

	Bank		Consolidated	
	2007	2006	2007	2006
Deferred income tax and social contribution				
Additions/(exclusions)				
Market adjustment Circulares 3068 and 3082	8,466	10,136	74,081	(45,246)
Derivatives - Law 11051	174,532	90,079	129,550	95,141
Other	-	-	(869)	(80)
Total	182,998	100,215	202,762	49,815
Tax credit				
Additions/(exclusions)				
Allowance for loan losses	(264)	11,108	72,274	111,408
Tax loss and negative social contribution base	(95,053)	(52,801)	(95,053)	(54,415)
Market adjustment Circulares 3068 and 3082	-	-	65,605	-
Provision for contingent liabilities	123	-	7,763	3,187
Derivatives - Law 11051	-	-	(60,646)	66,883
Other	1,118	-	1,417	-
Total	(94,076)	(41,693)	(8,640)	127,063

c. Deferred income tax and social contribution with an impact on assets and liabilities

	Bank		Consolidated	
	2007	2006	2007	2006
Asset (Other receivables - Other)				
Opening balance	143,752	162,232	404,100	253,824
Provision for contingent liabilities	123	-	7,763	3,187
Market adjustment Circulares 3068 and 3082	-	-	65,605	-
Allowance for loan losses	(264)	11,108	72,274	111,408
Tax loss and negative social contribution base	(95,053)	(29,588)	(95,053)	(31,202)
Derivatives - Law 11051	-	-	(60,646)	66,883
Other	1,695	-	1,695	-
Closing balance	50,253	143,752	395,738	404,100

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Liabilities (Other liabilities - tax and social security)				
Opening balance	346,574	423,938	437,656	660,169
Market adjustment Circulars 3068 and 3082	(8,466)	(10,136)	(74,081)	(150,306)
Derivatives - Law 11051	(174,532)	(66,982)	(129,550)	(72,044)
Other	<u>-</u>	<u>(246)</u>	<u>571</u>	<u>(162)</u>
Closing balance	<u>163,576</u>	<u>346,574</u>	<u>234,596</u>	<u>437,657</u>

d. Composition of tax credit expected of realization

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Composition				
Allowance for loan losses	21,751	22,195	267,519	195,425
Market adjustment Circulars 3068 and 3082	-	-	65,606	-
Unrealized results - Derivatives	-	-	17,055	77,702
Provision for contingent liabilities	-	-	17,056	9,416
Tax loss and negative social contribution base	<u>28,502</u>	<u>121,557</u>	<u>28,502</u>	<u>121,557</u>
Total	<u>50,253</u>	<u>143,752</u>	<u>395,738</u>	<u>404,100</u>
			<u>2007</u>	
Expected realization			Bank	Consolidated
In 2008			49,488	105,464
In 2009			510	123,912
In 2010			255	165,220
In 2011			<u>-</u>	<u>1,142</u>
Total			<u>50,253</u>	<u>395,738</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

e. Other information

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

- Allowance for loan losses: realization dependent on the legal periods for deductibility, according to Law 9430/96, after depleting the resources for legal collection. Any recoveries or reduction in loss will result in a reduction of the provision, which will have to be excluded from the taxable base;
- Tax loss and negative basis of social contribution: generated mainly by the advent of Law 11051/04 (art. 32), which determines the tax impacts of derivative markets, exclusively in the settlement of the contract, of assignment or closing of position.

The amounts reported as expected realization of the tax credit are supported by a technical study up dated at December 31, 2007. All tax credits are recorded.

The deferred tax liabilities refer to income that will be taxed when realized, arising from the adjustment to market values of securities and derivative financial instruments, and also refers to income to be taxed when realized, in accordance with article 32 of Law 11051/04.

33 Related parties

Presented below are the transactions undertaken between Banco Votorantim S.A. and its subsidiary companies. Transactions were performed under normal market conditions and are represented as follows:

	2007	2006
Assets		
Interbank fund applied	15,406,999	10,688,494
Derivative financial instruments	406,889	9,015,828
Other receivables	853	3,091
Liabilities		
Deposits	18,486,167	11,785,878
Money market repurchase commitments	736,476	459,880
Derivative financial instruments	266,916	121,726
Other liabilities	927	607

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	2007	2006
Income		
Securities income	1,958,910	1,823,456
Results from derivative financial instruments	295,398	-
Service fee income	7,330	6,857
Expenses		
Deposits, money market and interbank funds	1,808,223	415,951
Results from derivative financial instruments	318,360	-

34 Risk management

a. Market risk

The Group Votorantim Finanças performs operations involving derivative financial instruments, operating in organized and over the counter markets, in order to ensure the management of market risk appropriate to the Group policy.

Market risk management is performed centrally, by the administrative area, which is independent from the operations desk and is also monitored by the Risks Committee, comprising the board of executive officers and vice presidency of Banco Votorantim S.A., which meet periodically to appraise the risks and define operating limits. The basic procedures for risk management are as follows: a) monitoring the adequacy of positions and risks compared with the limits established by the Risks Committee and legal limits; b) integrity of the pricing of assets and derivatives; c) evaluation of the market risk using the “Value at Risk” methodology and by simulating scenarios; d) keeping track of daily results using the back-test methodology.

The policy for managing market risk also considers the use of derivative financial instruments for hedging positions to meet the demand of counterparties and as a means of reversing positions at times of significant oscillations. The operations observe the limits agreed by the Committee and imposed by legislation, after analyzing credit and liquidity risks, when appropriate, when they involve the liquidity and credit policies and the decisions of the respective Committee.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Operational risk

Management from the Group Votorantim Finanças has established rigid policies and procedures for the purpose of implementing an operational risk management system, capable of managing, evaluating, monitoring and mitigating the operational risks inherent to its business. The methodology adopted ensures the identification, classification of events, evaluation of risks, controls and follow up of action plans and capturing of all of the events that refer to losses related to the risks. Formation of a loss data base will be used to calculate the allocation of capital to cover operational risk, as provided in the Basel II agreement.

The actions for mapping and monitoring risks using the information obtained from the registers of losses incurred enables continual improvements to the policies and procedures adopted by the Group, and also rationalization of the existing processes.

The Group Votorantim Finanças adopts the concept of “Integrated Risk Management”, which enables the Executive Directors to have a vision of all of the risks incurred. Operational risk management is performed by the operational risk, Risk Management, Information Security and Internal Audit areas, and accompanied by the Risk Committee. For further details of the operational risk structure, visit the site www.votorantimfinancas.com.br.

c. Liquidity risk

The objective of the liquidity risk management is to control the differences in liquidity periods for the institution’s rights and obligations, and the liquidity of instruments used to manage the financial positions.

d. Capital risk

Capital risk management seeks to optimize the ratio between risk and return, whilst minimizing losses, by means of well defined business strategies, aimed at improved efficiency of the composition of factors that affect the Basel Index.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	2007	2006
Reference Equity Level I	6,022,330	5,146,545
Reference Equity Level II	<u>876,376</u>	<u>-</u>
Total Reference Equity (Levels I and II)	<u>6,898,706</u>	<u>5,146,545</u>
Risk weighted assets	43,426,029	29,418,382
Swap weighting	1,738,627	1,896,500
Weighting of market risk	<u>293,627</u>	<u>684,882</u>
Total	<u>45,458,283</u>	<u>31,999,764</u>
Index (minimum required by BACEN is 11%)	15.18%	16.08%

35 **Contingent assets and liabilities and legal obligations**

a. Contingent liabilities

The Bank and its subsidiaries are parties in lawsuits resulting from the normal course of operations, involving tax, civil and labor issues.

Management, based on information from its legal advisors and analyses of existing legal demands, has classified the contingencies between remote, possible and probable, taking into consideration the possibility of losses being incurred.

Adopting this criteria seeks to comply with CVM Decision 489/2005, which requires that a provision be recorded for the total value of the contingencies classified as representing probable losses, and no provision for those classified as possible or remote.

The positions for contingent liabilities, segregated by nature of the cause and the provision recorded, are presented below:

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Bank	Tax demands		Civil demands		Labor demands	
	2007	2006	2007	2006	2007	2006
Opening balance	7,752	7,232	-	-	501	501
Constitutions/(reversals)	-	-	-	-	246	-
Corrections	<u>405</u>	<u>520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>8,157</u>	<u>7,752</u>	<u>-</u>	<u>-</u>	<u>747</u>	<u>501</u>

Consolidated	Tax demands		Civil demands		Labor demands	
	2007	2006	2007	2006	2007	2006
Opening balance	8,259	7,363	17,382	10,454	8,643	4,474
Constitutions/(reversals)	3,939	376	10,408	8,645	10,507	7,442
Corrections	498	520	-	-	-	-
Write off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,717)</u>	<u>-</u>	<u>(3,273)</u>
Closing balance	<u>12,696</u>	<u>8,259</u>	<u>27,790</u>	<u>17,382</u>	<u>19,150</u>	<u>8,643</u>

The legal deposits, classified as “other receivables”, are:

	Bank		Consolidated	
	2007	2006	2007	2006
Tax demands	5,442	4,013	5,614	4,167
Civil demands	-	-	-	1,257
Labor demands	<u>379</u>	<u>57</u>	<u>2,436</u>	<u>1,070</u>
Total	<u>5,821</u>	<u>4,070</u>	<u>8,050</u>	<u>6,494</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Contingent assets

No contingent assets were recorded.

c. Legal obligations

The Institution has filed for the non payment of COFINS based on income that is not derived from monthly revenue (enlargement of the calculation base introduced by Law 9.718/98).

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Opening balance	251,468	188,696	387,266	210,969
Constitutions/(reversals)	59,167	43,043	102,279	150,124
Corrections	<u>21,016</u>	<u>19,729</u>	<u>36,093</u>	<u>26,173</u>
Closing balance	<u>331,651</u>	<u>251,468</u>	<u>525,638</u>	<u>387,266</u>

d. Contingencies not provided

The Bank has other contingent liabilities that involve tax issues, given the stage of these processes, and based on Management's judgment, the outcome of these claims can not be determined at the moment. Therefore, no provision for losses has been recorded in the financial statements.

e. Other commitments

On July 25, 2003, the Bank officially registered with the Federal Revenue Department its adhesion to the Special Program for Installment Payments - PAES, established by Law 10684/03, by 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 PIS included in the program were divided into 120 months, calculated based on the limitation of 1.5% of gross income from financial intermediation, updated based on the variation of the long-term interest rate - TJLP and reclassified to taxes and contributions payable. On December 31, 2007, the balance of the program is R\$ 10,075 (2006 - R\$ 11,359). The Bank is complying with the conditions of the aforementioned program not only with respect to the payment of the installments but also with respect to the collection of the other taxes due monthly.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

36 Other information

- a. Tax expenses refer, mainly, to Provisional Contribution on Financial Activity - CPMF, contribution to Social Integration Program - PIS, Contributions for Social Security Financing - COFINS and service tax - ISS.
- b. Non operating results refers to the gain from the disposal of shares on the Futures and Commodities Exchange (BM&F) and the São Paulo Stock Exchange (BOVESPA).
- c. By means of Provisionary Measure 413/2008, published in the Federal Official Gazette, on January 3, 2008, which is being considered in the National Congress, the Federal Government increased the rate for social contribution on net profit for financial institutions from 9% to 15%. If this is converted into Law, it will have effects on the results earned as from May 1st, 2008.
- d. Through Law 11638 published in the Federal Official Gazette on December 28, 2007 various rulings in Law 6404 (Corporate Law) were altered, and which comes into force on January 1st, 2008. The main alterations introduced include:
 - i. Criteria for evaluating assets, related to investments in financial instruments, rights classified to intangibles and assets from long term operations and liabilities that refer to obligations, charges and risks classified to non current liabilities, including transformations, incorporations, spin offs and mergers;
 - ii. In the Statement of Income, inclusion of information on participation of debentures, of employees and management, even in the form of financial instruments, and of institutions or assistance or pension funds or employee pension funds, which are not characterized as expenses;
 - iii. Cash flow and added value statements; and
 - iv. Criteria for constituting the reserve for tax incentives, which can be excluded from the compulsory dividend calculation.