



**Banco Votorantim S.A.**

**Financial statements**

**December 31, 2008 and 2007**

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



Banco Votorantim S.A.

Notes to the financial statements

December 31, 2008 and 2007

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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, 2008 and 2007 and the related statements of income, changes in shareholders' equity and cashflows 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, 2008 and 2007, and the results of its operations, changes in its shareholders' equity and cashflows for the years then ended, in conformity with accounting practices adopted in Brazil.

February 19, 2009

KPMG Auditores Independentes  
CRC 2SP014428/O-6  
*Original report in Portuguese signed by*  
Zenko Nakassato  
Accountant CRC 1SP160769/O-0

Banco Votorantim S.A.

Balance sheets

December 31, 2008 and 2007

(In thousands of Reals)

	Bank		Consolidated			Bank		Consolidated	
	2008	2007	2008	2007		2008	2007	2008	2007
<b>Assets</b>					<b>Liabilities</b>				
<b>Current assets</b>	<b>67,458,340</b>	<b>69,431,049</b>	<b>46,640,299</b>	<b>50,134,797</b>	<b>Current liabilities</b>	<b>41,378,852</b>	<b>39,616,753</b>	<b>43,429,709</b>	<b>38,900,202</b>
<b>Cash and banks</b>	52,414	15,339	98,506	53,863	<b>Deposits</b>	14,299,429	11,409,843	14,122,633	10,540,463
<b>Interbank funds applied</b>	23,561,118	31,159,732	5,773,810	15,700,338	Demand deposits	101,495	334,945	109,067	348,086
Money market	4,012,535	12,989,072	4,012,535	12,909,640	Interbank deposits	4,361,178	1,762,530	4,173,402	860,307
Interbank deposits	19,511,154	16,831,837	1,723,846	1,451,875	Time deposits	9,831,249	9,304,462	9,834,799	9,324,164
Foreign currency deposits	37,429	1,338,823	37,429	1,338,823	Other deposits	5,507	7,906	5,365	7,906
<b>Securities and derivative financial instruments</b>	30,427,160	31,483,452	18,197,766	19,152,491	<b>Money market repurchase commitments</b>	12,737,639	18,083,905	11,774,243	17,347,430
Own portfolio	9,047,586	7,456,150	5,879,883	6,704,899	Own portfolio	10,832,704	9,834,409	9,937,611	9,366,372
Subject to repurchase commitments	13,449,212	16,044,325	4,311,145	4,612,917	Third party portfolio	1,890,310	5,767,394	1,822,007	5,498,956
Derivative financial instruments	3,101,227	2,896,717	3,145,117	2,684,830	Free movement portfolio	14,625	2,482,102	14,625	2,482,102
Deposited with the Central Bank	-	1,567,823	-	1,567,823	<b>Acceptances and endorsements</b>	1,564,142	509,563	1,564,142	711,993
Subject to guarantees provided	4,829,135	3,518,437	4,861,621	3,582,022	Funds from debentures	-	-	-	202,430
<b>Interbank accounts</b>	37,899	1,006,101	37,899	1,006,101	Liabilities from overseas securities	1,034,471	509,563	1,034,471	509,563
Collections in transit	32,016	999,003	32,016	999,003	Funds from real state and agricultural credits	529,671	-	529,671	-
Correspondents	5,883	7,098	5,883	7,098	<b>Interbranch accounts</b>	62,267	22,761	63,395	23,779
<b>Loans</b>	7,991,584	4,430,030	15,903,586	12,000,653	Third party funds in transit	62,267	22,761	62,267	23,779
Loans - Public sector	179,602	23,297	179,602	23,297	Internal transfer of funds	-	-	1,128	-
Loans - Private sector	4,731,244	2,745,227	5,560,218	3,798,580	<b>Borrowings and repasses</b>	7,036,208	2,481,082	7,074,270	2,490,709
Financing - Private sector	3,019,116	1,445,735	10,518,966	8,338,521	Domestic repasses - Official institutions	233,965	-	233,965	-
Financing - Rural and Agricultural-Industrial	130,402	108,565	130,402	108,565	Domestic repasses - Other institutions	-	54,531	31,425	54,531
Financing - Securities	-	159,561	-	159,561	Overseas borrowings	4,869,100	1,093,111	4,869,100	1,093,111
Allowance for loan losses	(68,780)	(52,355)	(485,602)	(427,871)	Domestic repasses - Official institutions	1,901,718	1,333,440	1,939,780	1,343,067
<b>Lease operations</b>	-	-	484,547	18,124	<b>Derivative financial instruments</b>	2,639,284	4,437,591	3,736,270	4,187,993
Lease receivable - Public sector	-	-	6,064	2,853	Derivative financial instruments	2,639,284	4,437,591	3,736,270	4,187,993
Lease receivable - Private sector	-	-	719,693	50,629	<b>Other liabilities</b>	3,039,883	2,672,008	5,094,756	3,597,835
Unearned lease income	-	-	(229,931)	(27,499)	Foreing exchange portfolio	2,367,351	391,862	2,367,351	391,862
Allowance for lease losses	-	-	(11,279)	(7,859)	Social and statutory	195,847	196,848	291,596	275,852
<b>Other receivables</b>	5,380,071	1,333,647	6,022,663	1,720,840	Tax and social security	96,428	772,666	1,418,607	1,219,795
Foreign exchange portfolio	3,721,508	866,448	3,721,508	866,448	Due in connection with securities dealings	234,578	443,151	526,410	463,991
Income receivable	776,817	5,859	14,080	14,824	Other	145,679	867,481	490,792	1,246,335
Securities clearing accounts	428,801	179,912	683,606	189,231	<b>Long-term liabilities</b>	36,704,206	34,399,441	22,453,735	21,456,615
Other	474,156	289,768	1,626,200	658,677	<b>Deposits</b>	4,934,317	22,219,575	4,809,801	4,637,128
Allowance for doubtful receivable	(21,211)	(8,340)	(22,731)	(8,340)	Interbank deposits	133,198	17,693,495	8,682	111,048
<b>Other assets</b>	8,094	2,748	121,522	482,387	Time deposits	4,801,119	4,526,080	4,801,119	4,526,080
Other assets	225	-	51,367	34,667	<b>Money market repurchase commitment</b>	4,850,306	6,044,401	4,850,306	6,044,401
Prepayments	7,869	2,748	70,155	447,720	Own portfolio	2,973,908	6,044,401	2,973,908	6,044,401
<b>Long-term assets</b>	14,799,442	8,102,727	25,581,732	16,174,445	Free movement portfolio	1,876,398	-	1,876,398	-
<b>Interbank funds applied</b>	1,067,074	984,312	1,191,591	984,312	<b>Acceptances and endorsements</b>	1,349,026	1,591,059	4,738,101	4,110,803
Interbank deposits	1,067,074	984,312	1,191,591	984,312	Funds from debentures	-	-	3,389,075	2,519,744
<b>Securities and derivate financial instruments</b>	3,940,883	1,037,979	3,387,631	948,945	Liabilities from overseas securities	369,019	1,591,059	369,019	1,591,059
Own portfolio	1,788,447	-	2,353,824	-	Funds from real state and agricultural credits	980,007	-	980,007	-
Subject to repurchase commitments	610,153	-	610,153	-	<b>Borrowings and repasses</b>	3,610,669	2,969,986	3,610,669	2,993,529
Derivative financial instruments	1,542,283	1,037,979	423,654	948,945	Domestic borrowings - Other institutions	58,425	66,424	58,425	66,424
<b>Loans</b>	9,734,753	6,078,605	18,987,925	13,615,071	Overseas borrowings	1,304,909	1,144,975	1,304,909	1,144,975
Loans - Public sector	-	159,559	-	159,559	Domestic repasses - Official institutions	2,247,335	1,758,587	2,247,335	1,782,130
Loans - Private sector	4,151,463	2,978,023	5,144,447	3,953,586	<b>Derivative financial instruments</b>	20,046,272	456,205	1,039,574	870,601
Financing - Private sector	5,451,922	2,782,738	13,909,187	9,458,333	Derivative financial instruments	20,046,272	456,205	1,039,574	870,601
Financing - Rural and Agricultural-Industrial	181,905	164,761	181,905	164,761	<b>Others liabilities</b>	1,913,616	1,118,215	3,405,284	2,800,153
Allowance for loan losses	(50,537)	(6,476)	(247,614)	(121,168)	Tax and social security	518,516	-	535,425	221,311
<b>Lease operations</b>	-	-	894,855	41,263	Due in connection with securities dealings	167	-	167	-
Leases receivable - Public sector	-	-	-	3,550	Subordinated debt	1,394,933	1,118,215	2,869,692	2,578,842
Leases receivable - Private sector	-	-	1,584,789	84,971	<b>Deferred income</b>	23,709	11,200	23,709	11,200
Unearned lease income	-	-	(683,034)	(46,894)	<b>Minority interest</b>	-	-	40,608	29,295
Allowance for lease losses	-	-	(6,900)	(364)	<b>Shareholders' equity</b>	6,362,195	6,003,740	6,362,195	6,003,740
<b>Other receivables</b>	56,706	1,817	773,553	244,341	Capital:				
Foreign exchange portfolio	-	1,817	-	1,817	Domestic	3,380,000	3,380,000	3,380,000	3,380,000
Securities clearing accounts	8,152	-	8,152	-	Capital reserves	31,946	21,426	31,946	21,426
Other	48,554	-	765,401	242,524	Revenue reserves	3,045,255	2,599,035	3,045,255	2,599,035
<b>Other assets</b>	26	14	346,177	340,513	Valuation adjustments to shareholders' equity - Available for sale securities	(95,006)	-	(95,006)	-
Prepayments	26	14	346,177	340,513	Retained earnings	-	3,279	-	3,279
<b>Permanent assets</b>	2,211,180	2,497,358	87,925	91,810	<b>Total liabilities</b>	<b>84,468,962</b>	<b>80,031,134</b>	<b>72,309,956</b>	<b>66,401,052</b>
<b>Investments</b>	2,189,939	2,474,412	10,369	8,203					
Domestic subsidiaries and affiliates	2,179,220	2,467,053	-	-					
Investment in overseas subsidiary	5,594	2,682	-	-					
Other investments	5,125	4,677	10,369	8,203					
<b>Fixed assets</b>	17,380	17,244	53,887	53,639					
Other fixed assets for use	46,517	42,576	119,841	106,596					
Accumulated depreciation	(29,137)	(25,332)	(65,954)	(52,957)					
<b>Deferred charges</b>	3,861	5,702	23,669	29,968					
Organization and expansion expenses	17,089	15,575	73,937	65,726					
Accumulated amortization	(13,228)	(9,873)	(50,268)	(35,758)					
<b>Total Assets</b>	<b>84,468,962</b>	<b>80,031,134</b>	<b>72,309,956</b>	<b>66,401,052</b>					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Years ending December 31, 2008 and 2007 and  
semester ending December 31, 2008

(In thousand of Reais, except net profit per lot of one thousand shares)

	Bank			Consolidated	
	2nd semester	Years		Years	
	2008	2008	2007	2008	2007
<b>Financial operations income</b>	5,603,632	9,335,422	7,411,503	12,612,720	8,321,812
Loans	2,944,718	3,079,008	598,784	8,541,545	4,244,823
Lease operations	-	-	-	501,691	31,264
Securities income	4,629,796	7,051,192	6,143,021	3,743,590	3,598,698
Derivative financial instruments	(2,780,989)	(1,479,398)	539,146	(859,087)	316,475
Foreign exchange operations	760,434	576,755	-	577,116	-
Compulsory investments	49,673	107,865	130,552	107,865	130,552
<b>Financial operations expenses</b>	(5,911,026)	(9,145,254)	(6,559,698)	(9,730,947)	(5,405,286)
Deposits, money market and interbank funds	(4,086,707)	(7,279,064)	(6,250,909)	(6,829,658)	(4,528,646)
Borrowings, assignments and repasses	(1,783,574)	(1,774,091)	(295,219)	(1,776,307)	(297,273)
Lease operations	-	-	-	(294,531)	(22,601)
Foreign exchange operations	-	-	(13,204)	-	(13,198)
Allowance for loan losses	(40,745)	(92,099)	(366)	(830,451)	(543,568)
<b>Gross income from financial operations</b>	(307,394)	190,168	851,805	2,881,773	2,916,526
<b>Other operating income/(expenses)</b>	311,028	481,758	341,780	(1,738,890)	(1,447,480)
Income from rendered service	62,810	108,465	75,086	688,964	692,249
Personnel expenses	(83,191)	(146,265)	(114,650)	(427,118)	(309,831)
Other administrative expenses	(82,131)	(148,163)	(112,785)	(845,506)	(638,756)
Tax expenses	(18,543)	(54,168)	(78,209)	(288,017)	(271,851)
Equity in earnings of subsidiaries	170,844	539,765	750,281	-	-
Other operational income	319,314	349,498	40,302	904,923	376,548
Other operational expenses	(58,075)	(167,374)	(218,245)	(1,772,136)	(1,295,839)
<b>Operating results</b>	3,634	671,926	1,193,585	1,142,883	1,469,046
<b>Non operating results</b>	625	652	171,130	(56,118)	318,934
<b>Income before taxation and profit sharing</b>	4,259	672,578	1,364,715	1,086,765	1,787,980
<b>Income tax and social contribution</b>	338,903	316,727	(123,372)	88,435	(391,575)
Provision for income tax	53,772	26,601	(16,210)	(825,521)	(272,449)
Provision for social contribution	24,348	(12,906)	(13,086)	(479,019)	(110,486)
Deferred income tax and social contribution	260,783	303,032	(94,076)	1,392,975	(8,640)
<b>Profit sharing</b>	(42,197)	(87,519)	(77,653)	(272,650)	(228,511)
<b>Net profit before minority interest</b>	300,965	901,786	1,163,690	902,550	1,167,894
<b>Minority interest</b>	-	-	-	(764)	(4,204)
<b>Net profit for the semester/year</b>	300,965	901,786	1,163,690	901,786	1,163,690
<b>Net profit per lot of one thousand shares - R\$</b>	4.05	12.16	15.70		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Years ending December 31, 2008 and 2007 and  
semester ending December 31, 2008

(In thousand of Reais)

	Capital	Capital reserves	Revenue reserves		Valuation adjustments to shareholders' equity - Available for sale securities	Retained earnings	Total
			Legal	Expansion			
<b>Balances at December 31, 2006</b>	3,380,000	15,357	200,458	1,384,887	-	53,279	5,033,981
Distribution of dividends	-	-	-	-	-	(50,000)	(50,000)
Government incentives	-	4,288	-	-	-	-	4,288
Correction of membership titles	-	1,781	-	-	-	-	1,781
Net profit	-	-	-	-	-	1,163,690	1,163,690
Distribution of net profit:							
Legal reserve	-	-	58,185	-	-	(58,185)	-
Reserve for expansion	-	-	-	955,505	-	(955,505)	-
Distribution of dividends	-	-	-	-	-	(150,000)	(150,000)
<b>Balances at December 31, 2007</b>	<u>3,380,000</u>	<u>21,426</u>	<u>258,643</u>	<u>2,340,392</u>	<u>-</u>	<u>3,279</u>	<u>6,003,740</u>
Prior year adjustments	-	-	-	-	-	(23,536)	(23,536)
Government incentives	-	10,083	-	-	-	-	10,083
Reversal of expansion reserve	-	-	-	(20,257)	-	20,257	-
Correction of membership titles	-	437	-	-	-	-	437
Adjustments to market values - securities and derivatives	-	-	-	-	(95,006)	-	(95,006)
Net profit	-	-	-	-	-	901,786	901,786
Distribution of net profit:							
Legal reserve	-	-	45,089	-	-	(45,089)	-
Reserve for expansion	-	-	-	421,388	-	(421,388)	-
Distribution of dividends	-	-	-	-	-	(60,018)	(60,018)
Interest on own capital	-	-	-	-	-	(375,291)	(375,291)
<b>Balances at December 31, 2008</b>	<u>3,380,000</u>	<u>31,946</u>	<u>303,732</u>	<u>2,741,523</u>	<u>(95,006)</u>	<u>-</u>	<u>6,362,195</u>
<b>Balances at June 30, 2008</b>	3,380,000	31,509	288,684	2,315,919	(3,665)	294,978	6,307,425
Correction of membership titles	-	437	-	-	-	-	437
Reserve for expansion	-	-	-	3,279	-	(3,279)	-
Valuation adjustments to shareholders' equity - Available for sale securities	-	-	-	-	(91,341)	-	(91,341)
Net profit	-	-	-	-	-	300,965	300,965
Distribution of net profit:							
Legal reserve	-	-	15,048	-	-	(15,048)	-
Reserve for expansion	-	-	-	422,325	-	(422,325)	-
Interest on own capital	-	-	-	-	-	(155,291)	(155,291)
<b>Balances at December 31, 2008</b>	<u>3,380,000</u>	<u>31,946</u>	<u>303,732</u>	<u>2,741,523</u>	<u>(95,006)</u>	<u>-</u>	<u>6,362,195</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of cashflows

Years ending December 31, 2008 and 2007 and  
semester ending December 31, 2008

(In thousand of Reais)

	Bank		Consolidated		
	Years		Years		
	2nd semester 2008	2008	2007	2008	2007
<b>Cashflows from operations</b>					
<b>Net profit</b>	300,965	901,786	1,163,690	901,786	1,163,690
<b>Adjustments to net profit:</b>	(184,406)	(549,642)	(646,060)	(483,406)	(427,048)
Depreciation and amortization	3,691	7,426	6,394	27,200	22,733
Equity in earnings of subsidiary	(170,844)	(539,765)	(750,281)	-	-
Allowance for loan losses	(40,745)	(92,099)	(366)	(830,451)	(543,568)
Provision for contingent liabilities	23,055	74,359	96,412	251,429	146,422
Non operating results	-	-	-	56,666	28,853
Minority interest	-	-	-	11,313	(83,269)
Correction of membership titles	437	437	1,781	437	1,781
<b>Balance sheet variations</b>					
Securities	(1,299,009)	(1,846,611)	(7,217,211)	(1,483,962)	(2,939,513)
Derivative financial instruments	16,425,894	17,791,760	1,043,821	(282,751)	1,219,392
Interbank and interbranch accounts	1,331,533	1,007,711	419,162	1,007,816	419,240
Loans	(3,180,311)	(7,125,603)	(4,740,349)	(9,765,352)	(9,089,136)
Other receivables	(1,784,880)	(3,330,370)	10,329	(4,831,036)	(19,204)
Other assets	(2,936)	(5,359)	(705)	298,536	(345,540)
Other liabilities	(1,274,945)	376,888	430,709	1,124,469	882,813
Deferred income	7,353	12,508	3,640	12,508	3,640
Prior year adjustments	-	(23,536)	-	(23,536)	-
Valuation adjustments to shareholders' equity - Available for sale securities	(91,342)	(95,006)	-	(95,006)	-
<b>Cash generated (used) in the operations</b>	10,247,916	7,114,526	(9,532,974)	(13,619,934)	(9,131,666)
<b>Cashflows from financing activities</b>					
Deposits	(11,737,852)	(14,395,670)	2,246,534	3,754,843	(4,463,690)
Money market repurchase commitments	(9,551,566)	(6,540,360)	7,255,270	(6,767,282)	6,973,301
Acceptances and endorsements	1,630,766	812,546	(615,705)	1,479,447	(385,551)
Borrowings and repasses	3,830,469	5,195,809	1,672,132	5,200,701	1,692,765
Subordinated debt	90,176	276,718	1,118,215	290,850	2,578,842
<b>Cash generated (used) in financing activities</b>	(15,738,007)	(14,650,957)	11,676,446	3,958,559	6,395,667
<b>Cashflows from investment activities</b>					
Disposal of fixed assets for use and leasing	151	779	-	1,790	4,863
Disposal of investments	119,810	155,940	28,776	104,473	190,922
Purchase of fixed assets for use and leasing	(2,038)	(4,987)	(6,448)	(13,995)	(26,101)
Purchase of investments	(116,937)	(102,646)	-	(106,638)	(168,282)
Deferred charges	(41)	(1,515)	(3,588)	(8,944)	(15,807)
Transfer to investments	-	10,083	4,288	10,083	4,288
<b>Cash generated (used) in investment activities</b>	945	57,654	23,028	(13,231)	(10,117)
<b>Net variation in cash and cash equivalents</b>	(5,489,146)	(7,478,777)	2,166,500	(9,674,606)	(2,746,116)
Cash and cash equivalents at the beginning of the year	30,169,752	32,159,383	29,992,883	16,738,513	19,484,629
Cash and cash equivalents at the end of the year	24,680,606	24,680,606	32,159,383	7,063,907	16,738,513
<b>Increase/(decrease) in cash and cash equivalents</b>	(5,489,146)	(7,478,777)	2,166,500	(9,674,606)	(2,746,116)

See the accompanying notes to the financial statements.

# Banco Votorantim S.A.

## Notes to the financial statements

### Years ended December 31, 2008 and 2007

*(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, including with respect to risk management 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.

Consistent with the relevant fact published on January 09, 2009, and in accordance with § 4, of article 157, of law 6.404, of December 15, 1976, and with CVM Instruction 358 of January 03, 2002, Banco do Brasil S.A. (“BB”) and Votorantim Finanças S.A. (“VF”) communicate that they established a strategic partnership, on that date, and signed a private instrument involving a contract to purchase and sell and subscribe to shares between these parties, according to which BB will hold an investment interest equivalent to 49.99% of the voting capital and 50.00% of the total capital in Banco Votorantim S.A. (“Banco Votorantim”) (the “Operation”).

##### **a. The operation**

###### *(i) Prior Corporate Restructuring of Banco Votorantim and VF*

Currently, the capital in Banco Votorantim is divided into 74,126,202,673 nominative ordinary shares, with no par value. Prior to the Acquisition, VF, (i) will acquire all of the shares representing the capital of Banco Votorantim; (ii) and will convert 7,412,620,267 ordinary shares issued by Banco Votorantim into an equal number of preference shares issued by Banco Votorantim; (iii) it will sell to Banco Votorantim, its investment interest currently held by VF in its subsidiaries BV Sistemas Ltda., CP Promotora de Vendas Ltda., Votorantim Corretora de Seguros Ltda. and Votorantim Bank Limited, such that these companies will be controlled by Banco Votorantim; and (iv) it will approve a dividend distribution, by Banco Votorantim, for the total amount of R\$ 750 million.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### (ii) Operation

The Operation will be undertaken through the: (i) acquisition, by BB, of 33,356,791,198 ordinary shares issued by Banco Votorantim and belonging to VF, at the price of R\$ 3,000 million (“Acquisition”); (ii) subscription, by BB, of 7,412,620,277 new preference shares issued by Banco Votorantim (“Subscription”) at the price of R\$ 1,200 million, as detailed in the following table. As stated above, prior to the Operation, dividends will be distributed to VF, amounting to R\$ 750 million, reducing pre-subscription shareholders’ equity to R\$ 5,671 million.

#### Details of the operation

	Number (million)			Amount paid (R\$ million)			Investment interest of BB - %	
	ON	PN	TOTAL	ON	PN	TOTAL	ON	PN
Acquisition of shares								
Issued by Banco Votorantim and Belonging to VF	33,356.8	-	33,356.8	3,000	-	3,000	49.9999999925	0
Capital increase in Banco Votorantim	-	7,412.6	7,412.6	-	1,200	1,200	0	50.00000000337
Total	33,356.8	7,412.6	40,769.4	3,000	1,200	4,200	50.00	

The value of the Operation, consistent with the existing stock exchange evaluation levels of Banco do Brasil, was calculated based on the economic-financial evaluation prepared by consultants contracted by Banco do Brasil, which took into consideration, amongst other methodologies, the prospects for future profitability and the discounted cashflow of Banco Votorantim, adjusted for the existing economic scenario. The Acquisition price may be adjusted as a result of possible contingencies during the period prior to concluding the operation.

### b. Objective of the operation

There is a strong business rational for this partnership, which seeks to achieve long term growth, joining two Brazilian institutions, both with important histories, combining two strengths, two business models and two complementary strategies, which are:

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- From BB's point of view, the Operation will enable it to strengthen its activities on the vehicle financing market, a market in which Banco Votorantim is recognized for its specialization and rapid growth, which potentializes opportunities and complements the solid funding structure of BB. In addition, the strategic participation in Banco Votorantim will further strengthen BB's activities in other segments, such as corporate banking and the capital markets.
- From VF's point of view, and from the point of view of Banco Votorantim, the Operation strengthens and accelerates the growth of Banco Votorantim, offering leverage for its ability to originate and distribute not only consumer financing, but all of the other segments in which Banco Votorantim operates. The partnership will add significant value in the future for the financial business, which is of great importance for the Votorantim Group.

### *c. Approvals required*

Conclusion of the Operation is dependent on complying with the aspects defined in the contract and is subject to approval from the Central Bank of Brazil and other authorities, and once achieved, will be communicated to the market.

## **2 Presentation of the financial statements**

The financial statements were prepared based on accounting guidelines derived from corporate law, adopting for the first time alterations introduced by Law 11638/07 and Provisionary Measure 449/08 in the year of 2008, for registering the operations, together, when applicable, with the norms and instructions from the National Monetary Council (CMN), the Central Bank of Brazil (Bacen) and the Securities Commission (CVM).

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

For purposes of preparing the financial statements at December 31, 2008, Banco Votorantim S.A. took into consideration the application for the first time in 2008, of the alterations to Corporate Legislation introduced by law 11638/07, with the respective alterations introduced by Provisionary Measure 449/08, which have been regulated by BACEN to date. These include: (a) treatment of the balance for capital reserves and the allocation of retained earnings; (b) recognition, measurement and disclosure of losses from impairment of assets; (c) treatment of fixed assets and deferred charges. With respect to the accounting treatment of assets acquired under leasing operations, CMN resolution 3617/08, determined that the law does not apply to these assets, and that they should be registered to the fixed assets of the leasing institutions, in accordance with the specific resolution (Law 6099/74); and (d) presentation of the statement of cashflows instead of the statement of changes in financial position.

The alterations to Law 11638/07 and Provisionary Measure 449/08 did not have any impacts on the financial statements of Banco Votorantim S.A.

As determined by CMN Resolution 3604/08, for the year ending December 31, 2008 and 2007, statements of cashflows have been presented, using the indirect method, in accordance with Technical Pronouncement 03 (CPC 03).

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 the Votorantim Financial Conglomerate comprise Banco Votorantim and its direct subsidiaries in Brazil and overseas, as listed below:

	<u>Share</u>	
	<b>2008</b>	<b>2007</b>
<b>Direct subsidiaries in Brazil</b>		
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
<b>Direct subsidiaries overseas</b>		
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)*

The consolidated financial statements were prepared in accordance with consolidation norms and instructions from Bacen for preparing the consolidation of the Financial Conglomerate. The main consolidation procedures adopted for consolidated financial statements were as follows:

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

- a. Elimination of intercompany assets, liabilities, income 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 adopted in Brazil;
- 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; and
- f. The Financial Conglomerate, in accordance with the consolidation norms from Bacen, does not include the consolidation of the exclusive investment funds or the investment funds in credit rights.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 3 Significant 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.

#### *b. Cash and cash equivalents*

Cash and cash equivalents are represented by cash and banks and money market, which do not represent a risk from changes in value, and are used to manage short term commitments.

#### *c. 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.

#### *d. 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 a contra account to income for the period;

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- ii. **Securities available for sale** - Securities that are not intended for trading or to be held through to maturity. They are adjusted by market value in a 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 a contra account to income for the period.

The method for evaluating securities at market values was established based on 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 sale date 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 assets, independent of the maturity dates of the respective securities.

### *e. Derivative financial instruments*

Derivative financial instruments are stated by market value, based on consistent criteria that can be checked, and 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.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- 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.

***f. Loans, leasing and advances on foreign exchange contracts, other credits characterized as credit assignment and allowance for loan losses***

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.

Credit operations and leasing 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 and income from leasing contracts.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### ***g. 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.

### ***h. 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 in the process for determining such. The Management reviews the estimates and premises at least monthly.

### ***i. 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 straight-line 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 straight-line method, over the period that the benefit is generated.

### ***j. Income tax and social contribution***

Income tax has been calculated at the rate of 15% plus a surtax of 10% applicable to taxable profit. Social contribution has been calculated at the rate of 9% until April 30, 2008 and as from May 01, 2008, at the rate of 15%, in accordance with Law 11707/08, on taxable profit.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The tax asset from income tax and social contribution is recorded based on studies determining the realization of this asset, prepared by management. In the subsidiary BV Leasing Arrendamento Mercantil S.A., deferred income tax has been recognized, calculated at the rate of 25%, on the adjustment for excess depreciation from the leasing portfolio.

### ***k. 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 Resolution 3535/2008 of Central Bank of Brazil, 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.

### ***l. 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).

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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 banks

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Bank deposits	11,745	7,324	57,389	45,369
Free reserves	-	1,733	-	1,733
Foreign currency cash and cash equivalents	40,494	5,924	40,761	6,298
Other	175	358	356	463
Total	<u>52,414</u>	<u>15,339</u>	<u>98,506</u>	<u>53,863</u>

### 5 Interbank funds applied

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Investments on the money market				
Banked position	877,815	4,679,635	877,815	4,600,203
Financed position	1,855,503	5,835,783	1,855,503	5,835,783
Sold position	1,279,217	2,473,654	1,279,217	2,473,654
Interbank deposits	20,578,228	17,816,149	2,915,437	2,436,187
Foreign currency investments	37,429	1,338,823	37,429	1,338,823
Total	<u>24,628,192</u>	<u>32,144,044</u>	<u>6,965,401</u>	<u>16,684,650</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	2008			2007		
	Cost	Market value (book)	Unrealized gain/(loss)	Cost	Market value (book)	Unrealized gain/(loss)
<b>Trading securities</b>						
<b>Domestic</b>	22,947,209	23,064,888	117,679	24,710,537	24,763,231	52,694
Financial Treasury Bill	101,545	101,507	( 38)	158,543	158,578	35
National Treasury Bill	368,294	372,738	4,444	218,926	218,668	( 258)
National Treasury Notes	7,522,345	7,624,405	102,060	7,742,251	7,716,042	(26,209)
Debentures	14,278,552	14,273,507	( 5,045)	13,587,684	13,652,288	64,604
Agriculture debt titles	132,944	140,498	7,554	147,037	150,230	3,193
Shares in public stock corporations	14,283	14,300	17	990,324	998,410	8,086
Financial investment fund quotas	-	-	-	1,120,166	1,120,166	-
Credit right investment fund quotas	-	-	-	674,283	674,283	-
Rural Product Notes	529,246	537,933	8,687	54,728	54,728	-
Certificates of real estate receivables	-	-	-	16,595	19,838	3,243
<b>Overseas</b>	4,250,823	4,046,709	(204,114)	3,508,985	3,593,462	84,477
Certificates of overseas deposits	590,093	365,101	(224,992)	-	-	-
Eurobonds	894,908	868,214	( 26,694)	1,259,660	1,318,547	58,887
Brazilian external debt titles	259,422	268,067	8,645	203,492	211,271	7,779
External debt titles - Other countries	2,506,400	2,545,327	38,927	2,045,833	2,063,644	17,811
<b>Total</b>	<u>27,198,032</u>	<u>27,111,597</u>	<u>( 86,435)</u>	<u>28,219,522</u>	<u>28,356,693</u>	<u>137,171</u>
<b>Bank</b>						
<b>Securities available for sale</b>						
<b>Domestic (*)</b>	1,494,673	1,364,858	(129,815)	-	-	-
Shares of non-listed companies	210,002	123,196	( 86,806)	-	-	-
Debentures	1,147,203	1,100,161	( 47,042)	-	-	-
Certificates of real estate receivables	17,137	18,972	1,835	-	-	-
Financial investment fund quotas	65,286	65,286	-	-	-	-
Credit right investment fund quotas	55,045	57,243	2,198	-	-	-
<b>Overseas (**)</b>	1,289,865	1,248,078	( 41,787)	-	-	-
<b>Eurobonds</b>	1,289,865	1,248,078	( 41,787)	-	-	-
<b>Total</b>	<u>2,784,538</u>	<u>2,612,936</u>	<u>(171,602)</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Consolidated	2008			2007		
	Cost	Market value (book)	Unrealized gain/(loss)	Cost	Market value (book)	Unrealized gain/(loss)
<b>Trading securities</b>						
<b>Domestic</b>	10,594,392	10,758,885	164,493	12,523,750	12,609,119	85,369
Financial treasury bill	103,371	103,332	( 39)	159,945	159,980	35
National treasury bill	368,294	372,738	4,444	218,926	218,668	( 258)
National treasury notes	7,654,901	7,785,320	130,419	7,859,571	7,866,028	6,457
Debentures	279,684	274,639	( 5,045)	1,129,828	1,194,440	64,612
Agriculture debt titles	132,944	140,498	7,554	147,037	150,230	3,193
Shares in stock corporations	14,700	14,422	( 278)	990,324	998,411	8,087
Fund quotas in investment interests	1,230,364	1,244,731	14,367	1,120,166	1,120,166	-
Credit right investment fund quotas	280,888	285,272	4,384	826,630	826,630	-
Rural Product Notes	529,246	537,933	8,687	54,728	54,728	-
Certificates of real estate receivables	-	-	-	16,595	19,838	3,243
<b>Overseas</b>	4,283,541	4,079,428	(204,113)	3,544,024	3,628,500	84,476
Certifications of overseas deposits	590,093	365,101	(224,992)	-	-	-
Eurobonds	894,908	868,214	( 26,694)	1,259,660	1,318,547	58,887
Brazilian external debt titles	292,140	300,785	8,645	203,492	211,271	7,779
External debt titles - Other countries	2,506,400	2,545,328	38,928	2,080,872	2,098,682	17,810
<b>Total</b>	14,877,933	14,838,313	( 39,620)	16,067,774	16,237,619	169,845

Consolidated	2008			2007		
	Cost	Market value (book)	Unrealized gain/(loss)	Cost	Market value (book)	Unrealized gain/(loss)
<b>Securities available for sale</b>						
<b>Domestic (*)</b>	2,084,334	1,930,235	(154,099)	-	-	-
Shares of non-listed companies	210,002	123,196	( 86,806)	-	-	-
Debentures	1,147,203	1,100,161	( 47,042)	-	-	-
Certificates of real estate receivables	17,137	18,972	1,835	-	-	-
Fund quotas in investment interests	65,286	65,286	-	-	-	-
Credit right investment fund quotas	644,706	622,620	( 22,086)	-	-	-
<b>Overseas (**)</b>	1,289,865	1,248,078	( 41,787)	-	-	-
Eurobonds	1,289,865	1,248,078	( 41,787)	-	-	-
<b>Total</b>	3,374,199	3,178,313	(195,886)	-	-	-

(\*) On December 31, 2008, management from Banco Votorantim S.A. decided to transfer some securities classified as securities for trading to the category securities available for sale, in accordance with BACEN Circular 3068/01.

(\*\*) At the Nassau branch of Votorantim S.A. eurobonds were reclassified from the category securities for trading to securities available for sale. This reclassification was made to reflect management's intentions, observing international accounting standards (IFRS).

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Bank and Consolidated	2008			2007		
	Cost (book)	Market value	Unrealized gain/(loss)	Cost (book)	Market value	Unrealized gain/(loss)
<b>Securities held to maturity</b>						
<b>Overseas</b>	-	-	-	230,042	230,925	883
Eurobonds	-	-	-	202,370	203,147	777
Foreign debt securities - Other countries	-	-	-	27,672	27,778	106
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230,042</b>	<b>230,925</b>	<b>883</b>

### b. Composition of portfolio and maturity dates

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

Trading securities	Bank		Consolidated	
	2008	2007	2008	2007
Without due dates	14,300	-	1,544,364	-
Within 90 days	411,444	4,771,218	444,162	4,959,688
From 91 to 360 days	5,213,485	704,175	5,213,556	704,175
From 1 to 3 years	3,385,855	6,586,825	3,387,554	6,588,035
From 3 to 5 years	3,109,980	2,211,298	3,271,011	2,211,499
Over 5 years	14,976,533	14,083,177	977,666	1,774,222
<b>Total</b>	<b>27,111,597</b>	<b>28,356,693</b>	<b>14,838,313</b>	<b>16,237,619</b>

Securities available for sale	Bank		Consolidated	
	2008	2007	2008	2007
Without due dates	123,196	-	123,196	-
Within 90 days	65,286	-	65,286	-
From 91 to 360 days	25,854	-	25,854	-
From 1 to 3 years	527,543	-	527,543	-
From 3 to 5 years	532,661	-	532,661	-
Over 5 years	1,338,396	-	1,903,773	-
<b>Total</b>	<b>2,612,936</b>	<b>-</b>	<b>3,178,313</b>	<b>-</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Securities held to maturity	Bank		Consolidated	
	2008	2007	2008	2007
Within 90 day	-	230,042	-	230,042
Total	-	230,042	-	230,042

## 7 Derivative financial instruments

### a. Composition of derivative financial instruments in equity accounts

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Assets</b>				
Differential receivable from swap	3,383,216	2,685,492	2,308,477	2,384,571
Forward contracts	-	970,370	-	970,370
Purchase of purchase options - shares	721	7,155	721	7,155
Purchase of sale options - shares	1,995	1,981	1,995	1,981
Purchase of purchase options - Financial asset/commodities	454,196	116,201	454,196	116,201
Purchase of sale options - Financial asset/commodities	70,746	55,971	70,746	55,971
Non-Deliverable forward	603,524	-	603,524	-
Other	129,112	97,526	129,112	97,526
Total	4,643,510	3,934,696	3,568,771	3,633,775
<b>Liabilities</b>				
Differential payable from swap	1,312,540	1,001,660	1,237,083	1,166,458
Forward contracts	-	973,799	-	973,799
Sale of purchase options - shares	2,185	8,843	2,185	8,843
Sale of purchase options - Financial asset/commodities	520,023	129,436	520,023	129,436
Sale of sale options - financial asset/commodities	112,867	118,968	112,867	118,968
Option Box - Fixed income strategy - CETIP	20,251,070	2,661,090	2,416,815	2,661,090
Non-Deliverable forward	403,359	-	403,359	-
Other	83,512	-	83,512	-
Total	22,685,556	4,893,796	4,775,844	5,058,594

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### b. Composition of swap contracts by indexer

Bank	2008			2007		
	Original value	Curve value	Market value	Original value	Curve value	Market value
<b>Asset position</b>	<b>49,460,607</b>	<b>54,707,016</b>	<b>55,342,793</b>	<b>33,622,917</b>	<b>36,750,959</b>	<b>36,920,520</b>
DI (Interbank deposits rates)	14,618,174	16,552,197	16,577,690	11,466,449	13,914,401	13,915,119
Dollar	4,855,479	5,903,474	5,930,693	8,670,012	8,433,095	8,601,157
Euro	117,483	123,209	122,006	10,065	9,147	9,147
IGPM - Inflation index	1,591,189	1,958,096	1,937,327	3,071,891	3,502,841	3,566,405
IPCA - Inflation index	1,515,037	1,703,543	1,727,610	634,659	729,095	734,387
Fixed rates	24,335,457	25,335,242	25,953,431	7,259,018	7,618,428	7,540,996
TRM - Referential index	30,000	36,940	36,907	30,000	32,946	32,957
Libor	932,112	936,711	934,042	1,131,177	1,130,216	1,135,936
Iene	912,969	1,470,706	1,471,507	722,969	722,969	722,969
Lira	394,534	516,602	525,130	605,614	636,978	640,498
Commodities	141,661	153,784	117,151	21,063	20,843	20,949
Other	16,512	16,512	9,299	-	-	-
<b>Liability position</b>	<b>49,460,607</b>	<b>53,667,788</b>	<b>53,272,117</b>	<b>33,622,917</b>	<b>35,097,407</b>	<b>35,236,688</b>
DI (Interbank deposits rates)	23,730,752	24,999,851	25,006,352	9,806,822	10,666,238	10,676,435
Dollar	10,172,361	10,840,096	10,918,325	9,547,651	9,115,278	9,232,621
Euro	-	-	-	8,318	7,739	7,609
IGPM - Inflation index	1,487,749	1,927,004	1,889,864	3,780,850	4,342,685	4,405,349
IPCA - Inflation index	2,484,391	3,334,835	3,343,623	2,501,434	2,920,544	2,948,498
Fixed rates	6,761,914	6,959,445	6,558,269	4,022,438	3,969,547	3,968,727
TRM - Referential index	130,903	167,339	168,888	164,000	193,178	195,963
Libor	2,045,693	2,057,750	2,047,908	1,485,448	1,505,475	1,475,374
Iene	647,512	1,029,492	1,030,935	17,863	17,947	17,924
Lira	1,798,140	2,182,646	2,147,113	2,237,038	2,304,753	2,254,165
TJLP - Long-term interest rate	11,169	12,942	12,942	24,207	26,288	26,288
Commodities	182,859	149,224	147,898	26,848	27,735	27,735
Other	7,164	7,164	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,039,228</b>	<b>2,070,676</b>	<b>-</b>	<b>1,653,552</b>	<b>1,683,832</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Consolidated	2008			2007		
	Original value	Curve value	Market value	Original value	Curve value	Market value
<b>Asset position</b>	<b>34,199,187</b>	<b>39,386,155</b>	<b>39,034,294</b>	<b>34,041,636</b>	<b>36,985,839</b>	<b>37,146,532</b>
DI (Interbank deposits rates)	14,323,283	16,278,932	16,304,345	10,810,511	13,071,951	13,072,670
Dollar	6,096,457	7,699,042	7,730,859	9,701,669	9,465,068	9,624,179
Euro	117,483	123,209	122,006	10,065	9,147	9,147
IGPM - Inflation index	1,591,189	1,958,096	1,937,327	3,114,891	3,548,198	3,611,844
IPCA - Inflation index	1,515,037	1,703,543	1,727,610	634,659	729,095	734,387
Fixed rates	8,127,950	8,492,078	8,118,110	7,259,018	7,618,428	7,540,996
TRM - Referential index	30,000	36,940	36,907	30,000	32,946	32,957
Libor	932,112	936,711	934,043	1,131,177	1,130,216	1,135,936
Iene	912,969	1,470,706	1,471,507	722,969	722,969	722,969
Lira	394,534	516,602	525,130	605,614	636,978	640,498
Commodities	141,661	153,784	117,151	21,063	20,843	20,949
Other	16,512	16,512	9,299	-	-	-
<b>Liability position</b>	<b>34,199,187</b>	<b>38,356,749</b>	<b>37,962,900</b>	<b>34,041,636</b>	<b>35,792,012</b>	<b>35,928,419</b>
DI (Interbank deposits rates)	8,764,224	10,075,608	10,082,110	10,881,479	11,897,122	11,907,316
Dollar	9,877,469	10,453,300	10,533,350	8,848,713	8,533,643	8,648,030
Euro	-	-	-	8,318	7,738	7,609
IGPM - Inflation index	1,487,749	1,927,004	1,889,864	3,823,850	4,388,041	4,450,788
IPCA - Inflation index	2,484,391	3,334,835	3,343,623	2,501,434	2,920,544	2,948,498
Fixed rates	6,761,914	6,959,445	6,558,269	4,022,438	3,969,547	3,968,727
TRM - Referential index	130,903	167,339	168,888	164,000	193,178	195,963
Libor	2,045,693	2,057,750	2,047,908	1,485,448	1,505,475	1,475,374
Iene	647,512	1,029,492	1,030,935	17,863	17,948	17,925
Lira	1,798,140	2,182,646	2,147,113	2,237,038	2,304,753	2,254,166
Commodities	182,859	149,224	147,898	26,848	27,735	27,735
TJLP - Long-term interest rate	11,169	12,942	12,942	24,207	26,288	26,288
Other	7,164	7,164	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,029,406</b>	<b>1,071,394</b>	<b>-</b>	<b>1,193,827</b>	<b>1,218,113</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### c. Composition of Non-deliverable forward contracts by indexer

Bank and Consolidated	2008		2007	
	Value contracted	Market (book) value	Value contracted	Market (book) value
<b>Asset</b>				
Dollar	2,169,629	2,632,241	-	-
Euro	12,684	13,774	-	-
Pre-fixed	4,205,101	4,024,732	-	-
Total	6,387,414	6,670,747	-	-
<b>Liability</b>				
Dollar	3,540,702	3,593,822	-	-
Euro	84,400	105,140	-	-
Pre-fixed	2,182,313	2,194,282	-	-
Lira	579,998	577,339	-	-
Total	6,387,414	6,470,582	-	-

### d. Composition of term contracts by type

Bank and Consolidated	2008		2007	
	Value contracted	Market (book) value	Value contracted	Market (book) value
<b>Asset position</b>				
Sales commitment - Shares	-	-	970,370	-
	-	-	970,370	-
<b>Liability position</b>				
Sales commitment - Shares	-	-	-	973,799
	-	-	-	973,799

### e. Composition of futures contracts by indexer

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Purchase commitment</b>	16,689,461	7,871,252	16,689,461	7,899,411
DDI (DI x Dollar spread future contract)	7,539,487	2,793,500	7,539,487	2,793,500
Euro	83,674	3,698	83,674	3,698
Dollar	519,486	743,405	519,486	771,564
DI	6,577,129	3,268,793	6,577,129	3,268,793

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2008	2007	2008	2007
Real - Brazilian currency	583,082	667,780	583,082	667,780
T-Note	258,436	322,313	258,436	322,313
Index	1,100,949	71,763	1,100,949	71,763
Commodities	27,218	-	27,218	-
<b>Sales commitment</b>	<b>22,299,893</b>	<b>29,531,656</b>	<b>41,343,515</b>	<b>45,865,314</b>
DDI (DI x Dollar spread future contract)	8,812,853	3,931,542	8,892,467	3,074,771
Euro	77,160	7,172	77,160	7,172
Dollar	4,097,286	4,817,104	4,097,286	4,817,104
DI	6,546,241	20,369,350	25,510,249	37,559,779
Real - Brazilian currency	1,966,586	185,986	1,966,586	185,986
T-Note	168,011	216,917	168,011	216,917
Index	-	3,585	-	3,585
Iene	631,756	-	631,756	-

### f. Composition of option contracts by indexer

Bank and Consolidated	2008		2007	
	Contracted value	Market value (book)	Contracted value	Market value (book)
Shares	22,895	531	(106,800)	293
Dollar	(2,677,669)	(138,293)	(562,388)	(72,835)
DI	( 36,790)	( 14,906)	(467,975)	( 6,984)
Index	-	46	2,615	( 903)
Commodities	166,722	(3 0,193)	-	-
Securities	670,203	46,525	-	-
Flexible	39,459	28,873	226,307	4,490
<b>Total</b>	<b>(1,815,180)</b>	<b>(107,417)</b>	<b>(908,241)</b>	<b>(75,939)</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### g. Composition of contracts for fixed income strategy - CETIP

Bank	2008		2007	
	Value contracted	Market value /risk exposure	Value contracted	Market value /risk exposure
<b>Pre-fixed risk</b>				
<b>Liability position</b>				
Sale of Call at high limit	8,635,177	0,725,657	794,967	115,580
Sale of Put at low limit	9,794,765	9,525,413	1,269,100	2,545,510
Total	18,429,942	20,251,070	2,064,067	2,661,090
<b>Dollar risk (*)</b>				
<b>Asset position</b>				
Sale of Put at low limit		17,812,099		1,056,736
Total		17,812,099		1,056,736
<b>Liability position</b>				
Sale of Call at high limit		17,812,099		1,056,736
Total		17,812,099		1,056,736
<b>Net difference</b>		-		-

(\*) The risk exposure limits are weighted by the Options Delta

Consolidated	2008		2007	
	Value contracted	Market value /risk exposure	Value contracted	Market value /risk exposure
<b>Pre-fixed risk</b>				
<b>Liability position</b>				
Sale of Call at high limit	917,611	1,263,894	794,967	115,580
Sale of Put at low limit	1,304,825	1,152,921	1,269,100	2,545,510
Total	2,222,436	2,416,815	2,064,067	2,661,090
<b>Dollar risk (*)</b>				
<b>Asset position</b>				
Sale of Put at low limit		2,330,451		1,056,736
Total		2,330,451		1,056,736
<b>Liability position</b>				
Sale of Call at high limit		2,330,451		1,056,736
Total		2,330,451		1,056,736
<b>Net difference</b>		-		-

(\*) The risk exposure limits are weighted by the Options Delta

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### *h. Composition of derivative financial instruments by maturity date*

Asset/liabilities accounts	Bank		Consolidated	
	2008	2007	2008	2007
	Market value	Market value	Market value	Market value
Up to 90 days	( 34,842)	(1,978,420)	( 2,642)	(2,013,060)
From 91 to 360 days	( 7,232)	437,546	82,609	509,897
From 1 to 3 years	(18,173,287)	481,552	(1,464,309)	250,368
From 3 to 5 years	98,912	125,193	102,866	( 157,523)
Above 5 years	74,403	( 24,971)	74,403	( 14,501)
Total	<u>(18,042,046)</u>	<u>( 959,100)</u>	<u>(1,207,073)</u>	<u>(1,424,819)</u>

### *i. Margin offered in guarantee*

Government securities	Bank		Consolidated	
	2008	2007	2008	2007
	Market value	Market value	Market value	Market value
National treasury notes	1,831,945	2,379,902	1,863,037	2,443,487
Financial treasury bills	-	9,947	1,394	9,947
Eurobonds	<u>2,997,190</u>	<u>1,128,588</u>	<u>2,997,190</u>	<u>1,128,588</u>
Total	<u>4,829,135</u>	<u>3,518,437</u>	<u>4,861,621</u>	<u>3,582,022</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	
	2008	2007	2008	2007
Advances to deposit holders	253	1,659	254	1,659
Borrowings	8,704,375	5,530,448	8,704,375	5,530,448
Discounted bills	21,844	18,273	21,844	18,273
Guaranteed account	70,685	132,777	70,685	132,777
Credit cards - loans	-	-	33,228	688
Personal credit	36,904	30,157	1,825,633	2,058,385
Direct consumer credit	-	-	15,954,964	13,568,279
Credit cards - financing	-	-	2,152	103
Compror	228,248	192,792	228,248	192,792
Financing Rural and agricultural-industrial	312,307	273,325	312,307	273,325
Financing for securities	-	159,561	-	159,561
Financing for infrastructure and development	3,829,309	2,824,978	3,829,309	2,824,978
Financing for exports	4,309,812	1,209,826	4,309,812	1,209,826
Other	331,917	193,670	331,916	193,669
<b>Subtotal</b>	<b>17,845,654</b>	<b>10,567,466</b>	<b>35,624,727</b>	<b>26,164,763</b>
Lease operations	-	-	1,471,881	67,611
Advances on foreign exchange/export contracts (*)	1,078,047	521,634	1,078,047	521,634
Other receivables (**)	9,277	11,307	9,277	11,307
<b>Total Loans</b>	<b>18,932,978</b>	<b>11,100,407</b>	<b>38,183,932</b>	<b>26,765,315</b>
Sureties and guarantees (***)	8,022,167	5,386,025	8,022,167	5,386,025
<b>Total</b>	<b>26,955,145</b>	<b>16,486,432</b>	<b>46,206,099</b>	<b>32,151,340</b>

(\*) 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

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Loans overdue</b>				
More than 15 days	68,534	15,537	457,371	318,043
<b>Loans to fall due</b>				
Within 90 days	2,847,793	2,011,738	5,521,624	4,311,406
From 91 to 360 days	5,750,386	2,959,407	11,997,543	8,331,405
From 1 to 3 years	7,664,187	3,502,281	16,082,007	10,212,103
From 3 to 5 years	2,519,236	1,535,984	4,022,668	2,483,067
Over 5 years	82,842	1,075,460	102,719	1,109,291
Total	18,932,978	11,100,407	38,183,932	26,765,315

### c. Concentration of operations

	Bank		Consolidated	
	2008	2007	2008	2007
Ten largest debtors	4,817,736	2,774,819	4,852,170	2,795,329
Fifty largest debtors	5,828,741	4,194,696	5,875,408	4,228,840
One hundred largest debtors	3,648,125	2,219,070	3,693,923	2,255,424
Other debtors	4,638,376	1,911,822	23,762,431	17,485,722
Total	18,932,978	11,100,407	38,183,932	26,765,315

### d. Composition of operations by economic activity sector

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Corporate entities</b>	16,552,397	9,486,262	17,473,861	10,349,546
<b>Public sector</b>				
State	179,602	182,856	181,378	182,856
<b>Private Sector</b>				
Industry	10,543,450	5,937,872	10,600,355	5,938,605
Commercial	1,414,888	944,013	2,185,380	1,753,361
Rural	312,307	256,346	312,307	256,346
Services	4,096,080	2,142,852	4,188,371	2,192,818
Financial institutions	6,070	22,323	6,070	25,560
<b>Individuals</b>	2,380,581	1,614,145	20,710,071	16,415,769
Total	18,932,978	11,100,407	38,183,932	26,765,315

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### e. Composition of operations at the corresponding risk levels

Bank	2008			2007		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	10,712,158	-	10,712,158	5,560,475	-	5,560,475
A	4,123,596	-	4,123,596	2,370,807	-	2,370,807
B	3,240,239	13,579	3,253,818	2,784,092	3,445	2,787,537
C	608,942	35,731	644,673	265,417	10,606	276,023
D	118,454	8,233	126,687	86,485	1,693	88,178
E	2,906	1,168	4,074	6,935	421	7,356
F	359	22,924	23,283	303	920	1,223
G	762	6,535	7,297	3,673	879	4,552
H	10,748	26,644	37,392	-	4,256	4,256
Total	18,818,164	114,814	18,932,978	11,078,187	22,220	11,100,407

  

Consolidated	2008			2007		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	11,655,473	-	11,655,473	6,431,285	-	6,431,285
A	20,053,763	-	20,053,763	15,375,964	-	15,375,964
B	3,302,423	891,354	4,193,777	2,820,479	669,475	3,489,954
C	635,535	546,691	1,182,226	275,077	410,059	685,136
D	132,866	229,466	362,332	94,290	152,636	246,926
E	8,921	132,738	141,659	8,451	99,339	107,790
F	4,244	117,468	121,712	1,358	79,486	80,844
G	3,676	79,272	82,948	4,401	59,727	64,128
H	35,116	354,926	390,042	10,543	272,745	283,288
Total	35,832,017	2,351,915	38,183,932	25,021,848	1,743,467	26,765,315

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

Risk Level	Provision %	Bank		Consolidated	
		2008	2007	2008	2007
A	0,5	20,617	11,854	100,233	76,842
B	1,0	32,538	27,875	41,938	34,899
C	3,0	19,340	8,281	35,466	20,554
D	10,0	12,669	8,778	36,234	24,652
E	30,0	1,222	2,328	42,497	32,458
F	50,0	11,642	611	60,857	40,423
G	70,0	5,108	3,188	58,062	44,890
H	100,0	37,392	4,256	390,043	283,288
Subtotal		140,528	67,171	765,330	558,006

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Risk Level	Provision %	Bank		Consolidated	
		2008	2007	2008	2007
<b>Provision without characteristic of credit assignment</b>		-	-	1,520	-
Complementary provision (*)		-	-	7,276	7,596
Total		<u>140,528</u>	<u>67,171</u>	<u>774,126</u>	<u>565,602</u>
Percentage of portfolio		<u>0.74%</u>	<u>0.61%</u>	<u>2.03%</u>	<u>2.11%</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".

### g. Movement on the allowance for loan losses

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Opening balance</b>	67,171	67,696	565,602	430,867
Constitutions/(Reversals)	92,099	366	830,451	543,568
Write off to losses	(18,648)	( 469)	(621,833)	(408,411)
Foreign exchange variation on overseas provisions	( 94)	( 422)	( 94)	( 422)
<b>Closing balance</b>	<u>140,528</u>	<u>67,171</u>	<u>774,126</u>	<u>565,602</u>

### h. Additional information

	Bank		Consolidated	
	2008	2007	2008	2007
Credits renegotiated/amended during the year	3,752,054	429,586	4,006,192	572,071
Credits recovered during the year previously written off as losses (*)	1,661	-	126,107	60,400
Credits granted during the year (**)	682,155	-	2,887,306	1,702,643

(\*) 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 market amounted to R\$ 2,083,839 (2007 - R\$ 1,879,109) and Banco Votorantim in the amount of R\$ 803,467, and the latter made credit assignments of 80.4% of this portfolio to the market. The net result from these assignments was R\$ 93,447.

# 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>	
	2008	2007	2008	2007
Unsettled foreign exchange purchased	2,471,832	638,616	2,471,832	638,616
Foreign currency advances received	-	( 21,246)	-	( 21,246)
Rights from the sale of foreign exchange	1,224,599	240,335	1,224,599	240,335
Advances in domestic currency received	( 13,356)	( 753)	( 13,356)	( 753)
Income receivable from advances granted	38,344	11,241	38,344	11,241
Income receivable from financed imports	89	66	89	66
Expenses to appropriate from advances received	-	6	-	6
Total	<u>3,721,508</u>	<u>868,265</u>	<u>3,721,508</u>	<u>868,265</u>

### 10 Other receivables - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Exchanges - Deposits in guarantee	235,580	18,467	236,407	18,947
Clearing department	-	119,064	-	119,064
Debtors account settlement pending	2,045	42,381	238,202	51,220
BM&F net operations	153,919	-	153,919	-
Other	45,409	-	63,230	-
Total	<u>436,953</u>	<u>179,912</u>	<u>691,758</u>	<u>189,231</u>

### 11 Others receivables - Sundry

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Advances on salaries and vacation	1,012	650	2,628	1,633
Tax credits	387,862	50,253	1,382,681	395,738
Deposits in guarantee	7,729	5,867	23,538	12,703
Taxes and contributions to compensate	89,445	137,572	319,071	338,214
Options for fiscal incentives	23,353	13,271	45,618	28,224
Receivable from associated companies	1,064	853	-	-
Securities and credits receivable	2,291	43,322	3,811	43,322
Market value adjustment - Loans	-	-	378,007	-
Total effective cost (CET) financed (*)	-	-	74,300	-

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Market value adjustment - Leasing portfolio	-	-	70,608	-
Receivable from sale of overseas securities	-	37,265	-	58,530
Other debtors - Domestic	9,590	-	83,454	-
Other	364	715	7,885	22,837
Total	<u>522,710</u>	<u>289,768</u>	<u>2,391,601</u>	<u>901,201</u>

- (\*) In accordance with BACEN Resolution 3517/07, the institution implemented total effective cost for leasing operations, and the commission costs from intermediary operations were financed, with the corresponding entry for this income registered to “other operational income”. The amounts for intermediary operations to the store keepers have been registered to “other operational expenses”.

## 12 Other assets - Prepaid expenses

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Commission paid to traders acting as intermediaries for operations	-	-	304,234	741,739
Debenture placements	-	-	-	4,242
Others	7,895	2,762	112,098	42,252
Total	<u>7,895</u>	<u>2,762</u>	<u>416,332</u>	<u>788,233</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 13 Investments

#### a. Interest in subsidiaries in the country and abroad

	Movements for the subsidiary							Movements for controlling honored			
	Number of shares/quotas at 12/31/08	Capital at 12/31/08	Shareholders equity at 12/31/07	Income/(loss) for the period	Dividends/interest on own capital paid/proposed	Adjustments directly to shareholders' equity	Shareholders' equity at 12/31/08	Number of shares/quotas held	Equity in earnings of subsidiaries	Book value at 12/31/08	Book value at 12/31/07
<b>Domestic</b>										<u>2,179,220</u>	<u>2,467,053</u>
Votorantim CTVM Ltda	20,181	59,250	210,131	20,045	( 12,500)	5,608	223,284	20,177	16,276	223,241	210,089
Votorantim Asset Manag. DTVM Ltda.	9,000,000	9,000	97,630	26,454	(106,200)	1,079	18,963	8,999,820	27,533	18,963	97,627
BV Financeira S.A.	126,361	342,000	959,563	420,677	(694,264)	(22,736)	663,240	126,353	422,388	663,198	959,503
BV Leasing Arred. Merc. S.A.	510,404	996,200	1,199,847	72,516	-	1,470	1,273,833	510,398	73,985	1,273,818	1,199,834
<b>Overseas</b>										<u>5,594</u>	<u>2,682</u>
Votorantim Bank Limited	6,002,720	17,713	30,470	11,694	-	-	42,164	242,186	475	1,701	1,227
Banco Votorantim Securities. Inc.	5,000,000	5,314	1,963	2,248	-	-	4,211	5,000,000	(892)	3,893	1,455

The negative adjustments directly to the subsidiaries' shareholders' equity of the subsidiaries refer mainly to prior year adjustments from the provision for the charge for anticipated settlement of credit assignment contracts, and the positive adjustments refer to tax government incentives.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### b. Other investments

	Bank		Consolidated	
	2008	2007	2008	2007
Investments in government incentives	4,392	4,392	7,652	7,652
Membership certificates - CETIP	-	11	2	47
Shares and quotas	459	-	1,491	-
Other	274	274	1,224	504
Total	5,125	4,677	10,369	8,203

## 14 Fixed assets

Bank	2008			2007
	Cost	Depreciation	Net	Net
Fixtures	415	( 113)	302	344
Furniture and equipment for use	11,863	( 5,204)	6,659	6,287
Communication system	6,137	( 3,181)	2,956	2,878
Data processing system	25,835	(19,262)	6,573	6,764
Security system	559	( 391)	168	114
Transportation system	1,708	( 986)	722	857
Total	46,517	(29,137)	17,380	17,244

  

Consolidated	2008			2007
	Cost	Depreciation	Net	Net
Fixtures	4,015	( 1,705)	2,310	2,711
Furniture and equipment for use	24,181	( 9,253)	14,928	13,103
Communication system	15,126	( 6,741)	8,385	8,586
Data processing system	73,532	(46,381)	27,151	27,963
Security system	893	( 678)	215	185
Transportation system	2,094	( 1,196)	898	1,091
Total	119,841	(65,954)	53,887	53,639

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 15 Deferred charges

Bank	2008			2007
	Cost	Amortization	Net	Net
Leasehold expenditures	17,089	(13,228)	3,861	5,702
Consolidated	2008			2007
	Cost	Amortization	Net	Net
Leasehold expenditures	70,397	(49,517)	20,880	26,763
Expenditures acquisition development of software	3,540	( 751)	2,789	3,205
Total	<u>73,937</u>	<u>(50,268)</u>	<u>23,669</u>	<u>29,968</u>

### 16 Deposits

#### a. Composition of the portfolio by type

	Bank		Consolidated	
	2008	2007	2008	2007
Demand deposits	101,495	334,945	109,067	348,086
Interbank deposits	4,494,376	19,456,025	4,182,084	971,355
Time deposits	14,632,368	13,830,542	14,635,918	13,850,244
Deposits for investments	5,507	7,906	5,365	7,906
Total	<u>19,233,746</u>	<u>33,629,418</u>	<u>18,932,434</u>	<u>15,177,591</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### *b. Composition of the portfolio by maturity dates*

	<b>Bank</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Without due dates	101,495	334,945	109,067	348,086
Within 90 days	6,612,899	5,159,655	6,434,243	4,971,158
From 91 to 360 days	7,585,035	5,915,243	7,579,323	5,221,219
From 1 to 3 years	4,661,930	8,302,721	4,537,414	4,607,024
From 3 to 5 years	264,533	4,617,599	264,533	29,566
Over 5 years	7,854	9,299,255	7,854	538
Total	<u>19,233,746</u>	<u>33,629,418</u>	<u>18,932,434</u>	<u>15,177,591</u>

## 17 Money market repurchase commitments

### *a. Composition of the portfolio by counterparty*

	<b>Bank</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
From related parties	963,396	736,476	-	-
From non-related parties	<u>16,624,549</u>	<u>23,391,830</u>	<u>16,624,549</u>	<u>23,391,831</u>
Total	<u>17,587,945</u>	<u>24,128,306</u>	<u>16,624,549</u>	<u>23,391,831</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>	
	2008	2007	2008	2007
Within 90 days	6,452,893	10,594,311	5,489,497	9,857,836
From 91 to 360 days	6,284,746	7,489,594	6,284,746	7,489,594
From 1 to 3 years	3,712,441	5,993,245	3,712,441	5,993,245
From 3 to 5 years	134,956	50,518	134,956	50,518
Over 5 years	1,002,909	638	1,002,909	638
<b>Total</b>	<u>17,587,945</u>	<u>24,128,306</u>	<u>16,624,549</u>	<u>23,391,831</u>

## 18 Acceptances and endorsements

### a. Composition of the portfolio by type

	Correction rates	<u>Bank</u>		<u>Consolidated</u>	
		2008	2007	2008	2007
<b>Debentures</b>		-	-	3,389,075	2,722,174
With exchange rate variation	PTAX+12.0436% p.a.	-	-	2,198,041	1,665,978
Post-fixed	DI + 0.35% p.a.	-	-	1,191,034	1,056,196
<b>Funds from real estate credit notes</b>		19,696	-	19,696	-
<b>Funds from agricultural credit bills</b>		1,489,982	-	1,489,982	-
<b>Obligations from overseas securities</b>		1,403,490	2,100,622	1,403,490	2,100,622
With exchange rate variation		<u>1,403,490</u>	<u>2,100,622</u>	<u>1,403,490</u>	<u>2,100,622</u>
<b>Total</b>		<u>2,913,168</u>	<u>2,100,622</u>	<u>6,302,243</u>	<u>4,822,796</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>	
	2008	2007	2008	2007
<b>Domestic repasses</b>				
With exchange rate variation	323,815	120,955	323,815	120,955
<b>Overseas repasses</b>				
With exchange rate variation	6,174,009	2,238,086	6,174,009	2,238,086
<b>Domestic repasses - BNDES</b>				
Post-fixed	2,992,912	2,047,125	2,992,912	2,047,125
<b>Domestic repasses - FINAME</b>				
Post-fixed	1,156,141	1,044,902	1,194,203	1,078,072
Total	<u>10,646,877</u>	<u>5,451,068</u>	<u>10,684,939</u>	<u>5,484,238</u>

#### b. Composition of the portfolio by maturity dates

Maturity dates	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Within 90 days	1,931,266	878,355	1,442,570	887,817
From 91 to 360 days	5,104,942	1,602,727	5,631,700	1,602,892
From 1 to 3 years	3,155,442	1,966,884	3,155,442	1,966,449
From 3 to 5 years	434,782	804,989	434,782	822,045
Over 5 years	20,445	198,113	20,445	205,035
Total	<u>10,646,877</u>	<u>5,451,068</u>	<u>10,684,939</u>	<u>5,484,238</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>	
	2008	2007	2008	2007
Unsettled foreign exchange sold	1,510,027	241,294	1,510,027	241,294
Financed import - Exchange contracted	( 9,188)	-	( 9,188)	-
Obligations from the purchase of foreign currency	1,906,205	672,202	1,906,205	672,202
Advances against exchange contract	(1,039,703)	(521,634)	(1,039,703)	(521,634)
Other	10	-	10	-
Total	<u>2,367,351</u>	<u>391,862</u>	<u>2,367,351</u>	<u>391,862</u>

### 21 Other liabilities - Social and statutory

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Dividends/Interest on shareholders' equity/Benefits payable	155,291	150,000	155,291	150,000
Provision for profit sharing	39,656	42,482	134,564	121,418
Other	900	4,366	1,741	4,434
Total	<u>195,847</u>	<u>196,848</u>	<u>291,596</u>	<u>275,852</u>

### 22 Other liabilities - Tax and social security

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Taxes and contributions on income payable	-	212,294	280,837	585,697
Taxes and contributions payable	58,446	56,988	87,577	81,890
Other taxes and contributions (Legal obligations - Legal processes)	398,050	331,651	755,099	525,638
Provision for deferred taxes and contributions	149,881	163,576	817,689	234,596
Provision for tax risks	8,567	8,157	12,830	13,285
Total	<u>614,944</u>	<u>772,666</u>	<u>1,954,032</u>	<u>1,441,106</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 23 Other liabilities - Due in connection with securities

	Bank		Consolidated	
	2008	2007	2008	2007
Clearing department	510	112,602	1,188	116,590
Creditors account settlement pending	188,981	78,473	206,438	84,137
Creditors for share loans	12,234	207,670	12,234	207,670
Operations with financial assets and commodities to settle	15,281	14,933	288,958	26,121
Other	17,739	29,473	17,759	29,473
Total	<u>234,745</u>	<u>443,151</u>	<u>526,577</u>	<u>463,991</u>

### 24 Other liabilities - Subordinated debts

	Correction Rate	Bank		Consolidated	
		2008	2007	2008	2007
<b>Bank deposit certificates</b>					
Post-fixed	DI	1,394,933	1,118,215	1,394,933	1,118,215
<b>Debentures</b>					
Post-fixed	DI + 0.5% a.a.	-	-	1,474,759	1,460,627
Total		<u>1,394,933</u>	<u>1,118,215</u>	<u>2,869,692</u>	<u>2,578,842</u>

### 25 Other liabilities - Other

	Bank		Consolidated	
	2008	2007	2008	2007
Provision for personnel expenses	8,882	10,918	26,390	27,841
Provision other administrative expenses	4,329	8,337	30,780	22,479
Provision for contingent liabilities	3,003	747	59,083	46,940
Securities purchased	3,648	802,696	3,648	802,696
Market value adjustment - Loans	117,135	-	117,135	192,958
Amounts to repass credit assignment	-	-	55,756	-
Other - Credit card	-	-	74,924	173
Credit operations to liberate	-	-	17,758	23,530
Leasing to liberate	-	-	4,074	-
Other	8,682	44,783	101,244	129,718
Total	<u>145,679</u>	<u>867,481</u>	<u>490,792</u>	<u>1,246,335</u>

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### **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 10, 2008 the shareholders approved the distribution of dividends in the amount of R\$ 60,018 (R\$ 0.81 per lot of one thousand shares).

#### ***c. Interest on own capital***

In accordance with the option provided in Law 9249/95, in 2008, the Bank calculated interest on own capital based on the long term interest rate (TJLP) in force during the year, for the amount of R\$ 375,291, which was recorded to financial expenses, as required by tax legislation. For purposes of these financial statements, this interest has been eliminated from financial expenses for the year and recorded to retained earnings.

Income tax and social contribution for the year decreased by approximately R\$ 150,116, as a result of deducting the interest on own capital credited to the shareholders from these taxes.

#### ***d. Capital reserves***

On December 31, 2008, capital reserves were recorded, basically from allocation of tax incentives for the amount of R\$ 10,083 (2007 - R\$ 4,288) and the correction of membership certificates, for the amount of R\$ 437 (2007 - R\$ 1,781). Capital reserve can be used to increase capital or to compensate losses.

The balance for capital reserves will be allocated by December 31, 2010, as determined by BACEN Resolution 3605/08.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### *e. 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.

#### *Reserve of expansion*

During the General meeting to approve the accounts for 2008, the capital budget will be considered, which justifies the allocation of profit not distributed to the “Reserve of expansion”.

### *f. Prior year adjustments*

The prior year adjustments arise mainly from the provision for the charge for anticipated settlement of credit assignment contracts.

## 27 Service fee income

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Income from banking charges	549	-	189,112	-
Credit facility rate	-	-	120,053	332,691
Administration of investment funds	-	-	94,065	77,399
Brokerage exchange operations	-	-	31,420	25,225
Commissions on placing of securities	23,829	24,590	25,101	25,896
Services rendered associated companies	9,829	7,330	-	-
Income from guarantees provided	55,856	32,574	55,856	32,574
Income from anticipated settlement	-	-	130,087	168,982
Others	18,402	10,592	43,270	29,482
Total	<u>108,465</u>	<u>75,086</u>	<u>688,964</u>	<u>692,249</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

(\*) According to BACEN Resolution 3518/07 which governs the charge for tariffs for services provided financial institutions, and Circular 3371/07, which introduced a standardized table for priority services and a basic standardized tariff package, as from April 30, 2008, BV Financeira S.A. no longer charges a fee for opening credits and now charges banking tariffs in accordance with the regulation.

### 28 Personnel expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Fees	12,086	12,275	25,293	24,424
Benefits	18,764	14,346	70,293	55,979
Social security charges	31,532	21,988	86,970	59,400
Salaries	80,588	64,443	239,699	166,207
Training	3,295	1,598	4,863	3,821
Total	<u>146,265</u>	<u>114,650</u>	<u>427,118</u>	<u>309,831</u>

### 29 Other administrative expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Rental	9,445	7,447	25,867	22,535
Communications	7,361	5,585	67,713	45,112
Maintenance and conservation of fixed assets	2,209	1,692	31,568	25,227
Data processing	43,658	29,481	88,388	62,298
Promotions and public relations	6,603	4,739	27,939	51,889
Publicity and advertising	3,237	2,628	33,038	10,003
Publications	563	692	1,159	1,219
Financial system services	9,226	4,829	106,394	54,327
Outsourced services	2,832	2,585	61,484	43,044
Specialized technical services	35,782	28,296	162,064	139,043
Amortization	3,355	2,612	15,242	11,347
Depreciation	4,072	3,782	12,325	11,384
Transportation	1,711	1,190	13,546	10,641
Travel	5,271	2,902	34,958	21,725
Other	12,838	14,325	163,821	128,962
Total	<u>148,163</u>	<u>112,785</u>	<u>845,506</u>	<u>638,756</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 30 Other operational income

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Total effective cost financed	-	-	470,267	-
Recovery of charges and expenses	676	38	21,197	11,263
Price-level restatement of assets	494	343	823	809
Reversal of operating provisions	3,553	-	3,553	54,094
Premium in the issuance of debentures	-	-	-	250,000
Foreign exchange variation on foreign investments	311,271	-	301,377	-
Other	33,504	39,921	107,706	60,382
Total	<u>349,498</u>	<u>40,302</u>	<u>904,923</u>	<u>376,548</u>

### 31 Other operational expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Monetary updating of liabilities	32,572	22,895	63,069	39,627
Exchange variance overseas investments	79,302	162,000	79,719	199,290
Commissions paid for acting as intermediary	3,862	6,997	1,192,905	709,309
Provision for contingent liabilities	-	-	15,228	20,999
Discounts granted	-	-	232,481	219,294
Other	51,638	26,353	188,734	107,320
Total	<u>167,374</u>	<u>218,245</u>	<u>1,772,136</u>	<u>1,295,839</u>

(\*) The subsidiary BV Financeira S.A. CFI, offers discounts for loan and borrowing operations, in accordance with the collection policy for overdue credits.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 32 Income tax and social contribution

#### a. Charges due on operations

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Income before income tax, social contribution and profit share</b>	672,578	1,364,715	1,086,765	1,787,980
<b>Charges at the nominal rates of 25% and 15%</b>	(269,031)	( 464,003)	( 434,706)	( 607,913)
<b>Exclusions/(additions)</b>	(269,031)	251,709	153,869	22,216
Profit sharing	19,146	26,364	52,088	77,656
Equity in earnings of subsidiary	373,745	252,046	-	-
Results of subsidiary and branch overseas	( 75,584)	( 15,164)	( 75,584)	( 15,164)
Non-taxable interest on securities	139,771	116,620	142,410	119,826
Interest on own capital	150,116	-	161,906	-
Allowance for loan losses	( 32,731)	264	( 109,169)	( 73,281)
Market adjustment Circulars 3068 and 3082	7,283	( 8,466)	266,081	(139,687)
Foreign exchange variation on foreign investments	-	-	92,788	-
Derivatives - Law 11051	( 20,978)	(174,532)	( 172,504)	( 68,769)
Provision for contingent liabilities	( 928)	(123)	( 5,081)	( 6,401)
Excess depreciation from the leasing portfolio	-	-	82,958	-
Other	( 37,274)	( 40,353)	32,590	32,983
Tax loss and negative base for IR and CS	(253,535)	95,053	( 314,614)	95,053
<b>Current income tax and social contribution</b>	-	(212,294)	( 280,837)	(585,697)
<b>Deferred income tax and social contribution</b>	13,695	182,998	(1,023,703)	202,762
<b>Total income tax and social contribution</b>	13,695	( 29,296)	(1,304,540)	(382,935)

# 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	
	2008	2007	2008	2007
<b>Deferred income tax and social contribution</b>				
<b>Additions/(exclusions)</b>				
Market adjustment Circulars 3068 and 3082	( 7,283)	8,466	( 392,857)	74,081
Derivatives - Law 11051	20,978	174,532	( 547,888)	129,550
Excess depreciation from the leasing portfolio	-	-	( 82,958)	-
Other	-	-	-	( 869)
<b>Total</b>	<b>13,695</b>	<b>182,998</b>	<b>(1,023,703)</b>	<b>202,762</b>
<b>Tax credit</b>				
<b>Additions/(exclusions)</b>				
Allowance for loan losses	32,731	( 264)	156,311	72,274
Tax loss and negative social contribution base	253,536	(95,053)	314,614	(95,053)
Market adjustment Circulars 3068 and 3082	-	-	136,715	65,605
Provision for contingent liabilities	903	123	7,498	7,763
Provision for profit share	15,862	-	53,822	-
Derivatives - Law 11051	-	-	723,403	(60,646)
Other	-	1,118	611	1,417
<b>Total</b>	<b>303,031</b>	<b>(94,076)</b>	<b>1,392,975</b>	<b>(8,640)</b>

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

	Bank		Consolidated	
	2008	2007	2008	2007
<b>Asset (Other receivables - Other)</b>				
<b>Opening balance</b>	<b>50,253</b>	<b>143,752</b>	<b>395,737</b>	<b>404,100</b>
Provision for contingent liabilities	903	123	7,501	7,763
Market adjustment Circulars 3068 and 3082	34,722	-	( 30,718)	65,605
Allowance for loan losses	32,731	( 264)	156,919	72,274
Tax loss and negative social contribution base	253,391	(95,053)	314,470	(95,053)
Derivatives - Law 11051	-	-	484,946	(60,646)
Provision for profit share	15,862	-	53,822	-
Other	-	1,695	-	1,695
<b>Closing balance</b>	<b>387,862</b>	<b>50,253</b>	<b>1,382,677</b>	<b>395,738</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	<b>Bank</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Liabilities (Other liabilities - tax and social security)</b>				
<b>Opening balance</b>	163,576	346,574	234,596	437,656
Market adjustment Circulars 3068 and 3082	7,283	( 8,466)	190,704	( 74,081)
Derivatives - Law 11051	(20,978)	(174,532)	309,431	(129,550)
Excess depreciation from the leasing portfolio	-	-	82,958	-
Other	-	-	-	571
<b>Closing balance</b>	<b>149,881</b>	<b>163,576</b>	<b>817,689</b>	<b>234,596</b>

### d. Composition of tax credit expected of realization

<b>Composition</b>	<b>Bank</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Allowance for loan losses	54,482	21,751	424,437	267,519
Market adjustment Circulars 3068 and 3082	34,722	-	34,889	65,606
Derivatives - Law 11051	-	-	502,000	17,055
Provision for contingent liabilities	903	-	24,558	17,056
Provision for profit share	15,862	-	53,821	-
Tax loss and negative base for IR and CS	281,893	28,502	342,972	28,502
<b>Total</b>	<b>387,862</b>	<b>50,253</b>	<b>1,382,677</b>	<b>395,738</b>

<b>Expected realization</b>	<b>2008</b>	
	<b>Bank</b>	<b>Consolidated</b>
In 2009	105,023	351,367
In 2010	79,199	579,285
In 2011	95,933	282,161
In 2012	92,740	118,568
Other	14,967	51,296
<b>Total</b>	<b>387,862</b>	<b>1,382,677</b>

The present value of the tax credits calculated considering the forecasts for the Selic rate, amount to R\$ 344,761 in the Bank and R\$ 1,170,826 on Consolidated (In 2007 - R\$ 44,700 in the Bank and R\$ 341,509 on Consolidated).

# 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 (article 32), which determines the tax impacts of derivative markets, exclusively in the settlement of the contract, of assignment or closing of position;
- Market adjustment - Circulars 3068 and 3082: refer to expenses to be taxed when realized, arising from the difference between the curve values and the market values of securities and derivative financial instruments.

The values presented as expected realization of tax assets are supported by technical studies up dated on December 31, 2008.

The deferred tax liabilities were registered in accordance with legislation in force and refer to income tax on the excess depreciation, generated from leasing contracts, to be realized by the end of the contracts and income from securities and derivative financial instruments to be taxed upon realization, as determined in 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:

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Interbank fund applied	17,681,465	15,406,999
Securities	14,375,178	-
Derivative financial instruments	1,212,353	406,889
Other receivables	1,064	853
<b>Liabilities</b>		
Deposits	314,209	18,486,167
Money market repurchase commitments	963,397	736,476
Acceptances	3,282,349	-
Foreign borrowings	526,758	-
Derivative financial instruments	18,107,167	266,916
Other liabilities	364	927
<b>Income</b>		
Securities income	2,116,080	1,958,910
Results from derivative financial instruments	1,107,547	295,398
Service fee income	9,829	7,330
Other operational income	76,527	-
<b>Expenses</b>		
Deposits, money market and interbank funds	739,131	1,808,223
Results from derivative financial instruments	1,680,131	318,360
Borrowings and repasses	7,715	-
Other administrative expenses	33,355	-
Other operational expenses	30,738	-

### 34 Risk management

Management from the Votorantim Finances Group has established rigid policies and procedures for the purpose of implanting a risk management system capable of administering, evaluating and mitigating the risks inherent to its business. The concept of Integrated Risk Management enables the Executive Directors to obtain a view of all of the risk incurred by the companies that comprise the Group.

A Risk Management Committee was established, which meets periodically to evaluate the risks and define operational limits. Three commissions that are subordinated to the Committee were established, with one directed at managing financial risks (Market and liquidity), another aimed at credit risk management and the third focused on operational risk management.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The Votorantim Finances Group undertakes operations that involve derivative financial instruments, operating on organized markets and over-the-counter, to ensure management of the market risk consistent with its policy. The market risk management is performed centrally, by a commission that is independent from the operations desk.

The basic procedures adopted for risk management include: a) integrity in pricing of assets and derivatives; b) evaluating the market risk based on the “Value at Risk” methodology and by simulating scenarios; c) accompanying the daily results based on back-testing.

The policy for market risk management also considers the use of derivative financial instruments to hedge positions, to meet the demand of the counter parties and as a means of reverting the positions at times of significant oscillations.

The operational risk management commission uses a methodology that is able to identify, categorize events, evaluate risks, control and accompany the action plans and capture all of the events resulting in losses related to the risk. The formation of a loss data base will be used for calculating the capital allocation to cover operational risk, provided in the Basel II agreement.

The set of actions for mapping and monitoring the risks with the information obtained from the register of losses incurred enables continual improvements to be made to the policies and procedures adopted by the Group, and rationalization of the existing processes.

The capital risk management seeks to optimize the risk versus return ratio, in order to minimize losses, through well defined business strategies, aimed at greater efficiency in the composition of factors that affect the Solvency Index (Basel).

For further details of the Risk management structure, visit the site [www.votorantimfinancas.com.br](http://www.votorantimfinancas.com.br).

	<b>2008</b>
Reference Equity Level I	6,388,586
Reference Equity Level II	<u>1,452,455</u>
<b>Total Reference Equity (Levels I and II)</b>	<u>7,841,041</u>
Reference equity required	<u>6,384,163</u>
Weighted credit risk	5,855,406
Weighted market risk	416,233
Weighted operational risk	<u>112,524</u>
Excess reference equity	<u>1,456,878</u>
Index (minimum required by BACEN is 11%)	13,51%

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	2007
Reference Equity Level I	6,022,330
Reference Equity Level II	<u>876,376</u>
<b>Total Reference Equity (Levels I and II)</b>	<b><u>6,898,706</u></b>
Risk weighted assets	43,426,029
Swap weighting	1,738,627
Weighting of market risk	<u>293,627</u>
<b>Total</b>	<b><u>45,458,283</u></b>
Index (minimum required by BACEN is 11%)	15,18%

### 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. Within this context, the contingent processes evaluated as representing a risk of possible loss are not recognized in the accounting records, and refer mainly to the foreign exchange variation on foreign investments, for which the institution is questioning taxation for IRPJ/CS on the equity in income of subsidiary for the amount of R\$ 30,001 and PIS - EC17/97, for the amount of R\$ 58,056. In the subsidiaries, the main process refers to the charge for ISS (service tax), by municipal, for leasing operations, for the amount of R\$ 65,599.

Adopting this criterion seeks to comply with Resolution nº 3535/2008 of Central Bank of Brazil, 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.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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

Bank	Tax demands		Civil demands		Labor demands	
	2008	2007	2008	2007	2008	2007
<b>Opening balance</b>	8,157	7,752	-	-	747	501
Constitutions/(reversals)	-	-	-	-	2,256	246
Corrections	410	405	-	-	-	-
<b>Closing balance</b>	<b>8,567</b>	<b>8,157</b>	<b>-</b>	<b>-</b>	<b>3,003</b>	<b>747</b>
Consolidated	Tax demands		Civil demands		Labor demands	
	2008	2007	2008	2007	2008	2007
<b>Opening balance</b>	12,696	8,259	27,790	17,382	19,150	8,643
Constitutions/(reversals)	(1,029)	3,939	(5,881)	10,408	18,024	10,507
Corrections	895	498	-	-	-	-
Write off	-	-	-	-	-	-
<b>Closing balance</b>	<b>12,830</b>	<b>12,696</b>	<b>21,909</b>	<b>27,790</b>	<b>37,174</b>	<b>19,150</b>

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

	Bank		Consolidated	
	2008	2007	2008	2007
Tax demands	5,890	5,442	7,510	5,614
Civil demands	-	-	-	-
Labor demands	1,794	379	6,531	2,436
<b>Total</b>	<b>7,684</b>	<b>5,821</b>	<b>14,041</b>	<b>8,050</b>

### **b. Contingent assets**

No contingent assets were recorded.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 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 9718/98).

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Opening balance</b>	331,651	251,468	525,638	387,266
Constitutions/(reversals)	35,531	59,167	171,917	102,279
Corrections	<u>30,868</u>	<u>21,016</u>	<u>58,133</u>	<u>36,093</u>
<b>Closing balance</b>	<u><u>398,050</u></u>	<u><u>331,651</u></u>	<u><u>755,688</u></u>	<u><u>525,638</u></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, 2008, the balance of the program is R\$ 8,614 (2007 - R\$ 10,075). The Bank has complied with the terms of the aforementioned program with respect making the installment payments, and payment of the other monthly taxes due.

# 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.

### 37 Composition of cash and cash equivalents

Bank	2nd semester 2008	Years	
		2008	2007
<b>At the beginning of the year</b>			
Cash and banks	66,849	15,339	25,048
Interbank funds applied	30,102,903	32,144,044	29,967,835
<b>At the end of the year</b>			
Cash and banks	52,414	52,414	15,339
Interbank funds applied	24,628,192	24,628,192	32,144,044
<b>Cash and cash equivalents</b>	<b>( 5,489,146)</b>	<b>( 7,478,777)</b>	<b>2,166,500</b>
<b>Consolidated</b>		<b>Years</b>	
		<b>2008</b>	<b>2007</b>
<b>At the beginning of the year</b>			
Cash and banks		53,863	55,240
Interbank funds applied		16,684,650	19,429,389
<b>At the end of the year</b>			
Cash and banks		98,506	53,863
Interbank funds applied		6,965,401	16,684,650
<b>Cash and cash equivalents</b>		<b>(9,674,606)</b>	<b>(2,746,116)</b>