



Banco Votorantim S.A.

**Financial statements
June 30, 2005 and 2004**

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



Banco Votorantim S.A.

Financial statements

June 30, 2005 and 2004

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Independent auditors' report

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

We have examined the balance sheets of Banco Votorantim S.A. ("Bank") and the consolidated balance sheets of the Bank and its subsidiaries ("Consolidated"), as of June 30, 2005 and 2004 and the related statements of income, changes in shareholders' equity and changes in financial position for the semesters 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 June 30, 2005 and 2004, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the semesters then ended, in conformity with accounting practices adopted in Brazil.

August 10, 2005

KPMG Auditores Independentes
CRC 2SP014428/O-6

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

Banco Votorantim S.A.

Balance sheets

June 30, 2005 and 2004

(In thousands of Reais)

	Bank		Consolidated			Bank		Consolidated	
	2005	2004	2005	2004		2005	2004	2005	2004
Assets					Liabilities				
Current assets	30,334,753	29,924,958	29,320,890	30,813,113	Current liabilities	21,988,204	24,720,908	21,834,623	24,364,553
Bank and cash	118,961	2,528	137,331	15,032	Deposits	8,631,270	8,237,702	8,453,126	7,337,606
Interbank funds applied	12,836,002	18,947,840	7,680,698	16,861,314	Demand deposits	41,221	55,994	54,027	66,231
Money market	6,611,686	15,693,027	6,611,686	15,693,027	Interbank deposits	1,589,195	1,203,530	1,420,844	638,203
Interbank deposits	6,116,237	3,048,645	960,933	962,119	Time deposits	7,000,795	6,978,178	6,978,196	6,633,172
Foreign currency deposits	108,079	206,168	108,079	206,168	Other Deposits	59	-	59	-
Securities and derivative financial instruments	13,923,151	7,629,017	14,223,449	8,152,189	Money market repurchase commitments	7,620,898	12,632,089	7,417,982	12,849,277
Own portfolio	5,885,838	3,123,770	6,185,559	3,588,800	Own portfolio	2,813,625	106,749	2,610,709	420,937
Subject to repurchase commitments	3,931,895	407,344	3,931,895	407,344	Third party portfolio	4,807,273	12,525,340	4,807,273	12,428,340
Derivative financial instruments	1,274,578	434,602	1,237,301	445,814	Acceptances and endorsements	767,332	650,384	762,674	644,243
Deposited with the Central Bank	1,462,119	1,688,628	1,462,119	1,688,628	Liabilities from overseas securities	767,332	650,384	762,674	644,243
Subject to providing guarantees	1,368,721	1,974,673	1,406,575	2,021,603	Interbank accounts	5,500	4,543	5,500	4,543
Interbank accounts	832,429	671,160	832,429	671,160	Receipts and payments to liquidate	5,500	4,543	5,500	4,543
Payments and receipts to liquidate	590	1,746	590	1,746	Interbranch accounts	586	120	639	120
Deposits with the Central Bank	831,622	668,922	831,622	668,922	Third party funds in transit	586	120	586	120
Correspondents	217	492	217	492	Internal transfer of resources	-	-	53	-
Loans	1,074,535	1,294,805	4,485,529	3,466,666	Borrowings and repasses	938,102	1,123,482	938,180	1,124,232
Loans - public sector	85	-	85	-	Overseas borrowings	541,474	481,609	541,474	481,609
Loans - private sector	509,014	622,239	605,365	645,543	Domestic repasses - Official institutions	396,628	641,873	396,706	642,623
Financing - private sector	435,709	668,546	3,854,810	2,918,903	Derivative financial instruments	2,306,854	304,634	2,284,223	416,283
Financing - Rural and agrobusiness	43,324	7,641	43,324	7,641	Derivative financial instruments	2,306,854	304,634	2,284,223	416,283
Financing - Securites	94,394	-	94,394	-	Other liabilities	1,717,662	1,767,954	1,972,299	1,988,249
Allowance for loan losses	(7,991)	(3,621)	(112,449)	(105,421)	Foreign exchange portfolio	739,782	1,171,181	739,782	1,171,181
Lease operations	-	-	8,821	5,484	Social and statutory	158,285	83,837	197,802	120,423
Leases receivable - private sector	-	-	31,551	29,030	Tax and social security	427,432	419,100	590,631	499,824
Unearned Lease income	-	-	(12,041)	(10,896)	Due in connection with securities dealings	69,506	32,083	81,670	43,712
Allowance for lease losses	-	-	(10,689)	(12,650)	Other	322,657	61,753	362,414	153,109
Other receivables	1,540,244	1,368,466	1,786,694	1,520,609	Long-term liabilities	11,881,045	7,210,916	11,764,864	7,493,157
Foreign exchange portfolio	996,055	1,181,592	996,055	1,181,592	Deposits	7,754,425	4,372,410	7,298,178	4,280,940
Income receivable	4,463	5,392	3,994	3,714	Interbank deposits	1,415,394	667,155	956,997	564,795
Securities clearing accounts	152,405	94,912	165,470	111,187	Time deposits	6,339,031	3,705,255	6,341,181	3,716,145
Other	391,729	87,033	625,583	224,579	Money market repurchase commitment	938,044	908,715	967,072	908,715
Allowance for other losses	(4,408)	(463)	(4,408)	(463)	Own portfolio	938,044	908,715	967,072	908,715
Other assets	9,431	11,142	165,939	120,659	Acceptances and endorsements	235,040	1,025,475	235,040	1,025,475
Other assets	-	397	11,926	18,780	Liabilities from overseas securities	235,040	1,025,475	235,040	1,025,475
Provision for devaluation	-	-	-	(40)	Borrowings and repasses	1,026,809	558,667	1,026,834	558,725
Prepayments	9,431	10,745	154,013	101,919					
Long-term assets	5,167,013	3,733,096	7,450,983	4,012,197					
Interbank funds applied	425,366	1,256,881	116,121	128,938					
Interbank deposits	425,366	1,256,881	116,121	128,938					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Balance sheets

June 30, 2005 and 2004

(In thousands of Reais)

	Bank		Consolidated			Bank		Consolidated	
	2005	2004	2005	2004		2005	2004	2005	2004
Assets					Liabilities				
Securities and derivative financial instruments	2,903,380	1,698,425	2,918,954	1,695,730	Domestic repasses - Other institutions	47,268	-	47,268	-
Subject to repurchase commitments	582,024	1,117,475	582,024	1,117,475	Overseas borrowings	249,917	296,889	249,917	296,889
Derivative financial instruments	2,321,356	580,950	2,336,930	578,255	Domestic repasses - Official institutions	729,624	261,778	729,649	261,836
Loans	1,821,652	767,989	4,010,365	2,031,568	Derivative financial instruments	1,915,139	337,143	2,121,283	674,212
Loans - public sector	116,009	-	116,009	-	Derivative financial instruments	1,915,139	337,143	2,121,283	674,212
Loans - private sector	759,669	508,857	817,912	556,756	Other liabilities	11,588	8,506	116,457	45,090
Financing - private sector	855,794	239,573	3,017,674	1,499,128	Tax and social security	11,053	-	115,922	36,694
Financing - Rural and agrobusiness	100,014	23,761	100,014	23,761	Due in connection with securities dealings	-	8,506	-	8,396
Financing - Securities	112	-	112	-	Other	535	-	535	-
Allowance for loan losses	(9,946)	(4,202)	(41,356)	(48,077)	Deferred income	3,064	3,686	3,064	3,686
Lease operations	-	-	9,127	7,773	Minority interest	-	-	110,353	213,337
Leases receivable - private sector	-	-	19,779	29,341	Shareholders' equity	3,122,147	2,800,422	3,122,147	2,800,422
Unearned Lease income	-	-	(10,534)	(12,823)	Capital:				
Allowance for lease losses	-	-	(118)	(8,745)	Domestic	1,880,000	1,500,250	1,880,000	1,500,250
Other receivables	16,098	4,717	324,229	102,584	Capital increase	-	250,000	-	250,000
Securities clearing accounts	23	2,300	23	2,198	Capital reserves	13,388	4,721	13,388	4,721
Other	16,075	2,417	324,206	100,386	Revenue reserves	993,600	651,858	993,600	651,858
Other assets	517	5,084	72,187	45,604	Retained earnings	235,159	393,593	235,159	393,593
Prepayments	517	5,084	72,187	45,604					
Permanent assets	1,492,694	1,077,878	63,178	49,845					
Investments	1,480,174	1,066,752	22,911	15,857					
Domestic subsidiaries and affiliates	1,462,126	1,048,451	-	-					
Investment in overseas subsidiary	4,636	8,907	-	-					
Other investments	13,412	9,394	22,911	15,857					
Property, plant and equipment	10,768	10,703	28,753	26,088					
Other fixed assets for use	27,570	24,318	57,533	47,941					
Accumulated depreciation	(16,802)	(13,615)	(28,780)	(21,853)					
Deferred charges	1,752	423	11,514	7,900					
Organization and expansion expenses	7,689	5,844	26,218	19,053					
Accumulated amortization	(5,937)	(5,421)	(14,704)	(11,153)					
Total	<u>36,994,460</u>	<u>34,735,932</u>	<u>36,835,051</u>	<u>34,875,155</u>	Total	<u>36,994,460</u>	<u>34,735,932</u>	<u>36,835,051</u>	<u>34,875,155</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Semesters ended June 30, 2005 and 2004

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

	Bank		Consolidated	
	2005	2004	2005	2004
Financial operations income	2,548,443	1,970,298	3,255,536	2,441,401
Loans	237,517	143,244	1,356,653	932,954
Leasing	-	-	9,836	15,443
Securities income	1,954,728	1,635,293	1,478,583	1,347,614
Results from derivative financial instruments	289,748	8,799	344,014	(37,572)
Results from foreign exchange operations	-	141,399	-	141,399
Results from compulsory investments	66,450	41,563	66,450	41,563
Financial operations expenses	(2,234,543)	(1,577,556)	(2,238,856)	(1,615,301)
Deposits, money market and interbank funds	(1,984,390)	(1,499,888)	(1,906,415)	(1,458,630)
Borrowings, assignments and repasses	(189,737)	(91,303)	(197,833)	(91,368)
Leasing	-	-	(7,495)	(10,256)
Results from foreign exchange operations	(47,071)	-	(47,071)	-
Allowance for loan losses	(13,345)	13,635	(80,042)	(55,047)
Gross income from financial operations	313,900	392,742	1,016,680	826,100
Other operational income/(expenses)	52,706	93,198	(491,686)	(249,900)
Service income	9,413	20,007	32,027	40,790
Personnel expenses	(27,228)	(18,656)	(75,890)	(26,868)
Other administrative expenses	(26,297)	(26,344)	(128,437)	(144,282)
Tax expenses	(6,362)	(31,164)	(43,110)	(53,945)
Equity in earnings of subsidiaries	235,102	111,020	-	-
Other operational income	4,537	53,294	6,710	43,411
Other operational expenses	(136,459)	(14,959)	(282,986)	(109,006)
Operational results	366,606	485,940	524,994	576,200
Non operational results	4	(69)	63	(2,160)
Results before taxation and profit sharing	366,610	485,871	525,057	574,040
Income tax and social contribution	(8,616)	(106,723)	(131,074)	(165,804)
Provision for income tax	(87,541)	(74,015)	(179,731)	(124,169)
Provision for social contribution	(31,515)	(27,628)	(66,187)	(47,838)
Deferred income tax and social contribution	110,440	(5,080)	114,844	6,203
Profit sharing	(12,978)	(20,923)	(46,182)	(43,156)
Net profit before minority interest	345,016	358,225	347,801	365,080
Minority interest	-	-	(2,785)	(6,855)
Net profit for the semester	345,016	358,225	345,016	358,225
Net profit per lot of one thousand shares - R\$	6.68	7.19		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Semesters ended June 30, 2005 and 2004

(In thousands of Reais)

	Capital	Capital increase	Capital reserves		Revenue reserves		Retained earnings	Total
			Allocation to investments	Correction of membership titles	Legal	Expansion		
Balances at December 31, 2003	1,500,250	-	2,080	2,412	72,596	561,351	53,279	2,191,968
Capital increase	-	250,000	-	-	-	-	-	250,000
Constitution of reserve								
Allocation to investments	-	-	229	-	-	-	-	229
Net profit for the semester	-	-	-	-	-	-	358,225	358,225
Allocation of net profit:								
Legal reserve	-	-	-	-	17,911	-	(17,911)	-
Balances at June 30, 2004	<u>1,500,250</u>	<u>250,000</u>	<u>2,309</u>	<u>2,412</u>	<u>90,507</u>	<u>561,351</u>	<u>393,593</u>	<u>2,800,422</u>
Balances at December 31, 2004	1,750,250	129,750	2,080	3,680	109,639	1,037,415	53,279	3,086,093
Dividends						(170,705)		(170,705)
Capital increase	129,750	(129,750)	-	-	-	-	-	-
Constitution of reserve								
Allocation to investments	-	-	6,950	678	-	-	-	7,628
Net profit for the semester	-	-	-	-	-	-	345,016	345,016
Allocation of net profit:								
Legal reserve	-	-	-	-	17,251	-	(17,251)	-
Interest on shareholders' equity	-	-	-	-	-	-	(145,885)	(145,885)
Balances at June 30, 2005	<u>1,880,000</u>	<u>-</u>	<u>9,030</u>	<u>4,358</u>	<u>126,890</u>	<u>866,710</u>	<u>235,159</u>	<u>3,122,147</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in financial position

Semesters ended June 30, 2005 and 2004

(In thousands of Reais)

	Bank		Consolidated	
	2005	2004	2005	2004
Sources of funds	9,540,670	11,816,604	10,498,171	11,912,839
Net profit	345,016	358,225	345,016	358,225
Adjustments to net profit	(233,190)	(108,724)	5,589	3,182
Depreciation and amortization	1,912	2,296	5,589	3,182
Results from investments in subsidiaries	(235,102)	(111,020)	-	-
Minority interest	-	-	(87,540)	21,351
Funds from shareholders	-	250,000	-	250,000
Capital payment	-	250,000	-	250,000
Variation in deferred income	635	2,373	635	2,365
Constitution of reserves	7,628	229	7,628	229
Allocation to investments	7,628	229	7,628	229
Third party funds originating from:	9,420,581	11,314,501	10,226,843	11,277,487
Increase in liabilities	5,498,710	10,402,681	5,304,024	10,017,102
Deposits	2,651,108	3,127,943	2,672,264	2,816,873
Money market repurchase commitments	-	6,038,835	-	5,938,822
Interbank accounts	5,500	4,543	5,500	4,543
Interbranch accounts	-	64	-	64
Borrowings and repasses	277,593	772,518	277,224	772,290
Derivative financial instruments	2,564,509	-	2,349,036	-
Other liabilities	-	458,778	-	484,510
Decrease in assets	3,915,155	906,900	4,922,722	1,259,956
Interbank funds applied	3,915,155	-	4,922,722	-
Securities and Derivative financial instruments	-	903,955	-	1,256,136
Lease operations	-	-	-	3,820
Other assets	-	2,945	-	-
Disposal of assets and investments	54	20	97	429
Fixed assets	54	20	97	20
Operational lease assets	-	-	-	409
Dividends	6,662	4,900	-	-
Application of funds	9,427,512	11,817,143	10,380,590	11,913,366
Dividends	170,705	-	170,705	-
Interest on shareholders' equity	145,885	-	145,885	-
Investment in	3,023	1,829	11,623	23,106
Investments	680	254	2,595	916
Property, plant and equipment	1,772	1,459	5,812	14,596
Deferred charges	571	116	3,216	7,594
Increase in assets	4,039,585	11,018,183	5,075,273	11,185,058
Interbank funds applied	-	9,518,176	-	8,917,485
Securities and Derivative financial instruments	2,968,563	-	2,708,238	-
Interbank accounts	110,095	144,630	110,095	144,630
Loans	515,852	859,207	1,601,939	1,469,137
Lease operations	-	-	1,735	-
Other receivables	444,727	496,170	609,015	624,094
Other assets	348	-	44,251	29,712
Decrease in liabilities	5,068,314	797,131	4,977,104	705,202
Money market repurchase commitments	4,642,687	-	4,604,293	-
Acceptances and endorsements	307,537	376,430	306,906	382,571
Interbranch accounts	8,282	-	8,231	-
Other liabilities	109,808	420,701	57,674	322,631
Increase (decrease) in net working capital	113,158	(539)	117,581	(527)
Statement of changes in net working capital				
Bank and cash				
At start of semester	5,803	3,067	19,750	15,559
At end of semester	118,961	2,528	137,331	15,032
Increase (decrease) in net working capital	113,158	(539)	117,581	(527)

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Semesters ended June 30, 2005 and 2004

(In thousands of Reais)

1 Operations

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

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

2 Presentation of the financial statements

The financial statements of Banco Votorantim S.A. and consolidated financial statements of Banco Votorantim S.A. were prepared in accordance with corporate legislation - Law 6,404/76 and rules of the Central Bank of Brazil.

In accordance with Resolution 2,723 of the Central Bank of Brazil, the operations of the overseas branch are consolidated with the head office and other agencies in Brazil.

3 Consolidated financial statements

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

	<u>Percentage of investment</u>	
	2005	2004
Direct subsidiaries in Brazil		
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	99.98	99.98
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.99	99.99
BV Financeira S.A. - Crédito, Financiamento e Investimento	99.99	99.99
BV Leasing - Arrendamento Mercantil S.A.	99.99	99.99

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>Percentage of investment</u>	
Controlled directly overseas	2005	2004
Votorantim Bank Limited (see note 10a)	4.03	4.03

Description of main consolidation procedures

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

4 Description of main accounting practices

a. Statement of income

Income and expenses are recognized on an accruals basis.

b. Securities and Derivative financial instruments

In accordance with Resolution 3,068 of the Central Bank of Brazil, securities are classified in the following categories, according to management's investment intentions:

- Trading securities;
- Securities available for sale and
- Securities held to maturity.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

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

The registration criteria are as follows:

- For derivative financial instruments that do not act as hedges, and for those that are classified as “hedge against market risk”, the adjustments to market value are recorded as the corresponding entry to the appropriate income or expense account in the results for the semester.
- For derivative financial instruments classified as “cash flow hedge”, the effective hedge amount should be recorded as the corresponding entry for a separate net equity account, and any other variation, as the corresponding entry for the appropriate income or expense account in the results for the semester.

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

	2005	2004
Bank		
Net income for the semester before adjustments	348,411	353,991
Adjustments for the prior semester:		
Securities portfolio	(146,404)	(365,295)
Liabilities from overseas securities	-	43,472
Derivative financial instrument	2,165	(16,879)
Tax effect - Income tax and social contribution	49,041	115,159
Adjustments for the current semester:		
Securities portfolio	41,274	92,360
Derivative financial instrument	97,821	252,756
Tax effect - Income tax and social contribution	(47,292)	(117,339)
Net income for the semester after adjustments	<u>345,016</u>	<u>358,225</u>
Consolidated		
Net income for the semester before adjustments	<u>262,858</u>	<u>261,760</u>
Adjustments for the prior semester:		
Securities portfolio	(248,925)	(468,082)
Financing portfolio	(251,131)	-
Derivative financial instrument	20,642	386
Liabilities from overseas securities	-	43,472
Debt assumption contracts	(506)	874
Tax effect - Income tax and social contribution	163,171	143,938
Adjustments for the current semester:		
Securities portfolio	120,784	187,266
Financing portfolio	414,611	120,897
Derivative financial instrument	69,008	261,351
Debt assumption contracts	-	(2)
Tax effect - Income tax and social contribution	(205,496)	(193,635)
Net income for the semester after adjustments	<u>345,016</u>	<u>358,225</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Other assets

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

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

d. Permanent assets

Stated at cost (monetary corrected to June 30, 1995), combining the following aspects:

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

e. Other liabilities

Stated at known or calculable values, including, when applicable, charges calculated on a “pro rata” daily basis and monetary and foreign exchange variations incurred to the balance sheet date.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The provisions for income tax and social contribution are recorded at the rates of 15%, plus a surtax of 10% and 9%, respectively, in accordance with the legislation. Deferred income tax and social contribution were calculated on the adjustment to market value of securities and derivative financial instruments at the same rates as current taxes and unearned income of derivative financial instruments. In Consolidated, deferred income tax was recognized, calculated at the rate of 25% of the adjustment for excess of depreciation, from the lease portfolio, and deferred income tax and social contribution calculated on the adjustment to market value for securities and derivative financial instruments, from the financing portfolio and unearned income of derivative financial instruments at the rate of 15%, plus a surtax of 10% and 9% respectively.

5 Interbank funds applied

The portfolio comprises interbank deposits remunerated at post fixed and pre fixed rates, maturing by May 2010, amounting to R\$ 6,541,603 (2004 - R\$ 4,305,526), for Banco Votorantim S.A. and R\$ 1,077,054 (2004 - R\$ 1,091,057), on Consolidated, investments on the money market tied to public securities, amounting to R\$ 6,611,686 (2004 - R\$ 15,693,027), for Banco Votorantim S.A. and foreign currency investments of R\$ 108,079 (2004 - R\$ 206,168), for Banco Votorantim S.A. and on Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

6 Securities

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

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

Based on the financial capacity of Banco Votorantim S.A., Management has the intention of holding the securities until maturity, which are valued at the cost of acquisition, plus income earned, as corresponding entries in the results for the semester, in accordance with BACEN Circular 3068/2001.

<i>Bank</i>										
				2005					2004	
Trading Securities				Maturity dates						
Type	Cost	Market value	Unrealized (loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Market value
NTN-A	59,393	74,389	14,996	-	-	-	-	74,389	74,389	289,547
NTN-B	368,603	353,038	(15,565)	-	-	352,763	275	-	353,038	579,306
NTN-C	2,166,507	2,131,348	(35,159)	363,636	1,057,634	710,078	-	-	2,131,348	1,350,142
NTN-D	154,085	170,148	16,063	24,440	24,346	97,428	23,934	-	170,148	247,745
NTN-F	468,216	468,169	(47)	-	-	382,338	85,831	-	468,169	-
NBC-E	20,776	20,684	(92)	-	6,179	14,505	-	-	20,684	1,545
LFT	245,166	245,309	143	-	-	245,309	-	-	245,309	24,628
LTN	3,760,105	3,762,508	2,403	451,021	2,091,712	1,219,775	-	-	3,762,508	1,450,658

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

<i>Bank</i>										
2005										
2004										
Trading Securities				Maturity dates						
Type	Cost	Market value	Unrealized (loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Market value
Mortgagebills	12,242	12,242	-	-	4,178	8,064	-	-	12,242	-
Debentures	841,342	908,166	66,824	-	-	23,653	300,886	583,627	908,166	280,228
Eurobonds/EI Bond	2,768,880	2,768,880	-	317,181	269,035	560,920	780,957	840,787	2,768,880	1,565,605
C Bond	467,015	467,015	-	-	3,416	-	-	463,599	467,015	652,195
Shares	239,261	230,969	(8,292)	230,969	-	-	-	-	230,969	152,816
Investment funds	<u>789,862</u>	<u>789,862</u>	<u>-</u>	<u>789,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,862</u>	<u>600,000</u>
Total	<u>12,361,453</u>	<u>12,402,727</u>	<u>41,274</u>	<u>2,177,109</u>	<u>3,456,500</u>	<u>3,614,833</u>	<u>1,191,883</u>	<u>1,962,402</u>	<u>12,402,727</u>	<u>7,194,415</u>
Securities held to maturity										
Type	Cost	Market value	Unrealized (loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Cost
Eurobonds (Nassau branch)	<u>827,870</u>	<u>853,541</u>	<u>25,671</u>	<u>122,630</u>	<u>123,216</u>	<u>582,024</u>	<u>-</u>	<u>-</u>	<u>827,870</u>	<u>1,117,475</u>
Total	<u>827,870</u>	<u>853,541</u>	<u>25,671</u>	<u>122,630</u>	<u>123,216</u>	<u>582,024</u>	<u>-</u>	<u>-</u>	<u>827,870</u>	<u>1,117,475</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated										
2005										2004
Trading Securities			Maturity dates							
Type	Cost	Market value	Unrealized (loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Market value
NTN-A	263,520	353,720	90,200	-	-	-	-	353,720	353,720	669,930
NTN-B	368,603	353,038	(15,565)	-	-	352,763	275	-	353,038	579,306
NTN-C	2,166,507	2,131,348	(35,159)	363,636	1,057,634	710,078	-	-	2,131,348	1,350,142
NTN-D	155,325	171,416	16,091	24,440	24,346	97,428	25,202	-	171,416	307,269
NTN-F	468,216	468,169	(47)	-	-	382,338	85,831	-	468,169	-

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated										
										2004
										2005
Trading Securities										
										Market value
										Cost
										Unrealized (loss) gain
										Within 3 months
										From 3 to 12 months
										From 1 to 3 years
										From 3 to 5 years
										From 5 to 15 years
										Total
										Market value
										Cost
NBC-E	46,154	50,340	4,186	-	6,179	44,161	-	-	50,340	42,294
LFT	245,166	245,309	143	-	-	245,309	-	-	245,309	45,170
LTN	3,760,105	3,762,508	2,403	451,021	2,091,712	1,219,775	-	-	3,762,508	1,450,658
Mortgage bills	12,242	12,242	-	-	4,178	8,064	-	-	12,242	-
Debentures	841,342	908,166	66,824	-	-	23,653	300,886	583,627	908,166	280,228
Eurobonds /EI										
Bond	2,796,200	2,796,200	-	317,181	270,023	560,920	780,957	867,119	2,796,200	1,569,520
C Bond	467,015	467,015	-	-	3,416	-	-	463,599	467,015	659,042
Shares	239,261	230,969	(8,292)	230,969	-	-	-	-	230,969	152,816
Investment funds	<u>789,862</u>	<u>789,862</u>	<u>-</u>	<u>789,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,862</u>	<u>600,000</u>
Total	<u>12,619,518</u>	<u>12,740,302</u>	<u>120,784</u>	<u>2,177,109</u>	<u>3,457,488</u>	<u>3,644,489</u>	<u>1,193,151</u>	<u>2,268,065</u>	<u>12,740,302</u>	<u>7,706,375</u>
Securities held to maturity										
Type	Cost	Market value	Unrealized (loss) gain	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Cost
Eurobonds (Nassau branch)	<u>827,870</u>	<u>853,541</u>	<u>25,671</u>	<u>122,630</u>	<u>123,216</u>	<u>582,024</u>	<u>-</u>	<u>-</u>	<u>827,870</u>	<u>1,117,475</u>
Total	<u>827,870</u>	<u>853,541</u>	<u>25,671</u>	<u>122,630</u>	<u>123,216</u>	<u>582,024</u>	<u>-</u>	<u>-</u>	<u>827,870</u>	<u>1,117,475</u>

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Notes to the financial statements

(In thousands of Reais)

7 Derivative financial instruments

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

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

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

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

The amounts receivable from outstanding swap contracts amount to R\$ 3,141,717 (2004 - R\$ 928,009) and the amounts payable are R\$ 1,053,418 (2004 - R\$ 608,494) and have been recorded to derivative financial instruments for Banco Votorantim S.A. In Consolidated, the amounts receivable are R\$ 3,120,014 (2004 - R\$ 936,526) and amounts payable are R\$ 1,236,931 (2004 - R\$ 1,057,211).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The amounts receivable from sales of term shares amounted to R\$ 180,121 (2004 - R\$ 9,188) for Banco Votorantim S.A. and in Consolidated. The amounts payable from the purchase of term shares amounted to R\$ 62,098 (2004 - R\$ 5,329), for Banco Votorantim S.A. and in Consolidated. The amounts receivable for forward share acquisitions are R\$ 42,135 (2004 - none exist), in Banco Votorantim S.A. and in Consolidated. Amounts payable for forward share acquisitions to be delivered are R\$ 170,305 (2004 - none exist), in Banco Votorantim S.A. and in Consolidated.

The amounts received for box contracts of funding options are R\$ 2,831,530 (2004 - none exist), and are recorded in derivative financial instruments in Banco Votorantim S.A. and in Consolidated.

The premiums paid on acquired option contracts amount to R\$ 62,304 (2004 - R\$ 78,355) and premiums received from launched option contracts amount to R\$ 50,911 (2004 - R\$ 27,954) and have been recorded to derivative financial instruments for Banco Votorantim S.A. and in Consolidated.

The daily adjustments of the operations on the futures market amount to R\$ 28,730 in liabilities (2004 - R\$ 21,222) for Banco Votorantim S.A. and in Consolidated and are recorded in Due in connection with securities dealing. The adjustments referring to operations of NDF amount to R\$ 169,657 (2004 - There were none) in assets and R\$ 53,731 (2004 - There were none), in liabilities and are recorded in derivative financial instruments in Banco Votorantim S.A., and in Consolidated.

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

The margins deposited with BM&F amounted to R\$ 1,205,390 (2004 - R\$ 1,861,311), for Banco Votorantim S.A. and R\$ 1,395,060 (2004 - R\$ 1,907,241), in Consolidated.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Bank	2005										2004		
	Type SWAP	Original Value of contract	Values to receive/ to pay contracted	Values to receive/ to pay market	Unrealized profit/(loss)	Maturity dates					Total	Original value of contract	Values to received/ to pay market
						Within 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years			
DI	6,371,838	7,620,451	7,512,007	(108,444)	202,733	(493,870)	6,927,715	715,871	159,558	7,512,007	8,424,656	8,876,008	
Dollar	(5,792,966)	(4,911,724)	(4,740,636)	171,088	(321,831)	(113,552)	(3,616,376)	(526,171)	(162,706)	(4,740,636)	(7,814,897)	(7,858,334)	
Iene	(15,283)	(14,273)	(14,273)	-	(1,089)	(3,207)	(8,551)	(1,426)	-	(14,273)	-	-	
IGPM	(1,656,609)	(1,888,118)	(1,861,585)	26,533	(1,052,695)	265,873	(1,144,914)	(72)	70,223	(1,861,585)	(665,212)	(657,139)	
IPCA	(210,000)	(159,814)	(159,814)	-	-	11,720	(171,534)	-	-	(159,814)	255,000	279,658	
Pre	1,309,201	1,351,430	1,358,834	7,404	936,422	560,174	(132,403)	(5,359)	-	1,358,834	(201,146)	(322,451)	
Selic	-	-	-	-	-	-	-	-	-	-	1,599	1,773	
TJLP	(6,181)	(6,234)	(6,234)	-	(2,914)	(161)	(3,159)	-	-	(6,234)	-	-	
Total	-	1,991,718	2,088,299	96,581	(239,374)	226,977	1,850,778	182,843	67,075	2,088,299	-	319,515	
Futures													
DDI	2,704,678	(23,919)	(23,919)	-	1,164,938	969,899	2,183,827	(778,865)	(835,121)	2,704,678	6,636,528	(18,867)	
Dollar	76,288	(2,551)	(2,551)	-	(417,480)	297,066	(7,347)	204,049	-	76,288	(364,915)	13,748	
IND	93,314	145	145	-	97,308	(3,994)	-	-	-	93,314	(137,241)	(1,884)	
DI	(13,621,693)	(2,404)	(2,404)	-	(7,694,897)	(3,236,577)	(2,239,007)	(451,212)	-	(13,621,693)	(20,658,521)	(5,597)	
Euro	(239,499)	(3,366)	(3,366)	-	581	(240,080)	-	-	-	(239,499)	257,473	(6,608)	
Pre	665,469	119,291	119,291	-	301,157	364,312	-	-	-	665,469	93,226	1,818	
Total	(10,321,443)	87,196	87,196	-	(6,548,393)	(1,849,374)	(62,527)	(1,026,028)	(835,121)	(10,321,443)	(14,173,450)	(17,390)	
Options													
Shares	(1,517)	8,669	8,279	(390)	(40,417)	38,900	-	-	-	(1,517)	(12,205)	1,802	
Br exit	(82,264)	(606)	(606)	-	-	-	(82,264)	-	-	(82,264)	-	-	
Cbond	-	-	-	-	-	-	-	-	-	-	(182,219)	1,403	
Dollar	1,551,125	2,357	5,448	3,091	1,539,375	11,750	-	-	-	1,551,125	744,325	31,889	
DI	(1,075,950)	(2,581)	(4,201)	(1,620)	77,500	(1,153,450)	-	-	-	(1,075,950)	(372,481)	2,419	
Flexible	(303,627)	1,957	1,957	-	18,242	(321,869)	-	-	-	(303,627)	-	-	
IND	(900)	357	516	159	(900)	-	-	-	-	(900)	24,600	1,831	
Pre	-	-	-	-	-	-	-	-	-	-	108,762	11,057	
Total	86,867	10,153	11,393	1,240	1,593,800	(1,424,669)	(82,264)	-	-	86,867	310,782	50,401	

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Notes to the financial statements

(In thousands of Reais)

Consolidated													
Type SWAP	Original Value of contract	Values to receive/ to pay contracted	Values to receive/ to pay market	2005							2004		
				Unrealized profit/(loss)	Maturity dates						Total	Original value of contract	Values to receive/ to pay market
					Within 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years				
DI	5,625,720	7,480,137	7,403,503	(76,634)	359,816	(385,803)	6,357,682	754,874	316,934	7,403,503	7,612,009	9,432,950	
Dólar	(5,234,599)	(5,157,428)	(5,041,804)	115,624	(321,855)	(168,738)	(3,712,282)	(556,452)	(282,477)	(5,041,804)	(6,953,016)	(8,575,820)	
Iene	(15,283)	(14,273)	(14,273)	-	(1,089)	(3,207)	(8,551)	(1,426)	-	(14,273)	-	-	
IGPM	(1,656,609)	(1,888,090)	(1,861,541)	26,549	(1,052,689)	265,873	(1,144,876)	(72)	70,223	(1,861,541)	(665,212)	(717,070)	
IPCA	(210,000)	(159,813)	(159,813)	-	-	11,720	(171,533)	-	-	(159,813)	255,000	279,658	
Pré	1,496,953	1,561,016	1,563,245	2,229	1,108,907	407,298	52,399	(5,359)	-	1,563,245	(250,380)	(542,176)	
Selic	-	-	-	-	-	-	-	-	-	-	1,599	1,773	
TJLP	(6,181)	(6,234)	(6,234)	-	(2,914)	(161)	(3,159)	-	-	(6,234)	-	-	
Total	-	<u>1,815,315</u>	<u>1,883,083</u>	<u>67,768</u>	<u>90,176</u>	<u>126,982</u>	<u>1,369,680</u>	<u>191,565</u>	<u>104,680</u>	<u>1,883,083</u>	-	(120,685)	
Futures													
DDI	2,704,678	(23,919)	(23,919)	-	1,164,938	969,899	2,183,827	(778,865)	(835,121)	2,704,678	6,636,528	(18,867)	
Dollar	76,288	(2,551)	(2,551)	-	(417,480)	297,066	(7,347)	204,049	-	76,288	(364,915)	13,748	
IND	93,314	145	145	-	97,308	(3,994)	-	-	-	93,314	(137,241)	(1,884)	
DI	(19,059,039)	(2,404)	(2,404)	-	(8,558,297)	(5,089,284)	(4,881,599)	(529,859)	-	(19,059,039)	(22,024,102)	(11,494)	
Euro	(239,499)	(3,366)	(3,366)	-	581	(240,080)	-	-	-	(239,499)	254,223	(6,714)	
Libra	-	-	-	-	-	-	-	-	-	-	3,250	-	
Pre	<u>660,743</u>	<u>119,291</u>	<u>119,291</u>	-	<u>301,157</u>	<u>359,586</u>	-	-	-	<u>660,743</u>	<u>93,226</u>	<u>1,818</u>	
Total	<u>(15,763,515)</u>	<u>87,196</u>	<u>87,196</u>	-	<u>(7,411,793)</u>	<u>(3,706,807)</u>	<u>(2,705,119)</u>	<u>(1,104,675)</u>	<u>(835,121)</u>	<u>(15,763,515)</u>	<u>(15,545,531)</u>	<u>(23,393)</u>	
Options													
Shares	(1,517)	8,669	8,279	(390)	(40,417)	38,900	-	-	-	(1,517)	(12,205)	1,802	
Br exit	(82,264)	(606)	(606)	-	-	-	(82,264)	-	-	(82,264)	-	-	
Cbond	-	-	-	-	-	-	-	-	-	-	(182,219)	1,403	
Dollar	1,551,125	2,357	5,448	3,091	1,539,375	11,750	-	-	-	1,551,125	744,325	31,889	
DI	(1,075,950)	(2,581)	(4,201)	(1,620)	77,500	(1,153,450)	-	-	-	(1,075,950)	(372,481)	2,419	
Flexible	(303,627)	1,957	1,957	-	18,242	(321,869)	-	-	-	(303,627)	-	-	
IND	(900)	357	516	159	(900)	-	-	-	-	(900)	24,600	1,831	
Pre	-	-	-	-	-	-	-	-	-	-	<u>108,762</u>	<u>11,057</u>	
Total	<u>86,867</u>	<u>10,153</u>	<u>11,393</u>	<u>1,240</u>	<u>1,593,800</u>	<u>(1,424,669)</u>	<u>(82,264)</u>	-	-	<u>86,867</u>	<u>310,782</u>	<u>50,401</u>	

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Notes to the financial statements

(In thousands of Reais)

8 Loans, foreign exchange portfolio and lease operations

a. Composition of operations

	Bank		Consolidated	
	2005	2004	2005	2004
Loans - public sector	116,094	-	116,094	-
Loans - private sector	1,268,683	1,131,096	1,423,277	1,202,299
Financing - Private sector	1,291,503	939,521	6,872,484	4,449,433
Financing - Rural and agribusiness	143,338	-	143,338	-
Financing - Securities	94,506	-	94,506	-
Lease operations	-	-	28,755	34,652
Advances on foreign exchange contracts (classified as a reduction against "Other liabilities - Foreign exchange portfolio")	<u>356,870</u>	<u>49,259</u>	<u>356,870</u>	<u>49,259</u>
Total	<u>3,270,994</u>	<u>2,119,876</u>	<u>9,035,324</u>	<u>5,735,643</u>

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

	Bank		Consolidated	
	2005	2004	2005	2004
Industry	1,644,435	1,289,133	1,645,557	1,289,205
Commercial	196,905	170,473	690,033	383,536
Rural	143,338	31,402	143,338	31,402
Other services	906,333	618,897	921,237	676,316
Individuals	<u>379,983</u>	<u>9,971</u>	<u>5,635,159</u>	<u>3,355,184</u>
Total	<u>3,270,994</u>	<u>2,119,876</u>	9,035,324	5,735,643

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Notes to the financial statements

(In thousands of Reais)

c. Composition of operations by maturity

Maturity dates	Bank		Consolidated	
	2005	2004	2005	2004
Loans overdue				
More than 15 days	160	451	104,257	87,333
Loans to fall due	684,525	528,769	1,746,080	1,226,786
Within 3 months	754,711	818,466	3,124,228	2,316,879
From 3 to 12 months	1,292,758	551,264	3,471,082	1,825,756
From 1 to 3 years	338,881	201,614	389,718	234,119
From 3 to 5 years	199,959	19,312	199,959	44,770
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
From 5 to 15 years		=		
Total	<u>3,270,994</u>	<u>2,119,876</u>	<u>9,035,324</u>	<u>5,735,643</u>

d. Composition of operations in the corresponding risk levels, as established under Central Bank Resolution 2,682

Bank	2005			2004		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
Risk level						
AA	1,314,450	-	1,314,450	1,017,730	-	1,017,730
A	827,001	-	827,001	798,166	-	798,166
B - overdue from 15 to 30 days	791,007	1,644	792,651	246,436	212	246,648
C - overdue from 31 to 60 days	335,304	75	335,379	56,658	80	56,738
D - overdue from 61 to 90 days	1,434	-	1,434	357	14	371
E - overdue from 91 to 120 days	-	-	-	78	113	191
F - overdue from 121 to 150 days	-	-	-	-	-	-
G - overdue from 151 to 180 days	-	-	-	-	-	-
H - overdue more than 180 days	<u>79</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>32</u>	<u>32</u>
Total	<u>3,269,275</u>	<u>1,719</u>	<u>3,270,994</u>	<u>2,119,425</u>	<u>451</u>	<u>2,119,876</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2005			2004		
	Loans to fall due	Loans overdue	Total of the operations	Loans to fall due	Loans overdue	Total of the operations
Risk level						
AA	1,659,793	-	1,659,793	1,100,153	-	1,100,153
A	5,562,517	-	5,562,517	3,753,866	367	3,754,233
B - overdue from 15 to 30 days	805,166	290,863	1,096,029	253,929	181,381	435,310
C - overdue from 31 to 60 days	344,862	190,391	535,253	71,173	140,158	211,331
D - overdue from 61 to 90 days	4,020	45,817	49,837	3,931	46,667	50,598
E - overdue from 91 to 120 days	195	24,651	24,846	184	28,822	29,006
F - overdue from 121 to 150 days	46	20,998	21,044	35,818	22,288	58,106
G - overdue from 151 to 180 days	28	16,984	17,012	33	17,490	17,523
H - overdue more than 180 days	<u>1,652</u>	<u>67,341</u>	<u>68,993</u>	<u>696</u>	<u>78,687</u>	<u>79,383</u>
Total	<u>8,378,279</u>	<u>657,045</u>	<u>9,035,324</u>	<u>5,219,783</u>	<u>515,860</u>	<u>5,735,643</u>

e. Market value evaluation

During this semester, in Consolidated, part of the financing portfolio was valued at market value, considering the respective hedge on the DI future market, with the BM&F, as determined by Resolution 3,082 of January 30, 2002. The evaluation of these assets resulted in an unrealized positive adjustment, of R\$ 414,611(2004 - R\$ 120,897), which has been classified to Other Receivables - Other, in Assets.

	Hedge		Loans - CDC	
	Market value	Market Value	Account value	Adjustment
2005	5,166,840	5,238,774	4,824,163	414,611
2004	1,365,581	1,464,005	1,343,108	120,897

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Notes to the financial statements

(In thousands of Reais)

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

Risk level	Provision %	Bank		Consolidated	
		2005	2004	2005	2004
A	0.5	4,135	3,991	38,142	30,190
B - overdue from 15 to 30 days	1.0	7,927	2,466	10,960	4,353
C - overdue from 31 to 60 days	3.0	10,061	1,702	16,058	6,346
D - overdue from 61 to 90 days	10.0	143	37	4,984	5,062
E - overdue from 91 to 120 days	30.0	-	57	7,454	8,702
F - overdue from 121 to 150 days	50.0	-	-	10,521	29,053
G - overdue from 151 to 180 days	70.0	-	-	11,908	12,266
H - overdue more than 180 days	100.0	<u>79</u>	<u>33</u>	<u>68,993</u>	<u>79,384</u>
Total		<u>22,345</u>	<u>8,286</u>	<u>169,020</u>	<u>175,356</u>

During the semester, a total of R\$ 16,570 (2004 - R\$ 13,106) was recovered in Consolidated. In the same period, a balance of R\$ 166,904 (2004 - R\$ 159,969) for Banco Votorantim and R\$ 207,886 (2004 - R\$ 209,352) in Consolidated for renegotiated operations.

In Consolidated, the allowance for loan losses was increased for the differences not liquidated from lease contracts indexed to the dollar which are being legally discussed, amounting to R\$ 10,398 (2004 - R\$ 11,518), which are presented mainly in risk level "A".

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

	Bank		Consolidated	
	2005	2004	2005	2004
Opening balance	9,269	21,926	146,144	174,230
Constitutions (reversals)	13,345	(21,926)	80,042	55,047
Write off to losses	(125)	(5)	(57,010)	(55,443)
Foreign exchange variations	(144)	-	(156)	<u>1,522</u>
Closing balance	<u>22,345</u>	<u>8,286</u>	<u>169,020</u>	<u>175,356</u>

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Notes to the financial statements

(In thousands of Reais)

9 Other receivable

	<u>Bank</u>		<u>Consolidated</u>	
	2005	2004	2005	2004
Foreign exchange portfolio (a)	996,055	1,181,592	996,055	1,181,592
Income receivable	4,463	5,392	3,994	3,714
Securities clearing accounts (b)	152,428	97,212	165,493	113,385
Other (c)	407,804	89,450	949,789	324,965
Allowance for other losses	(4,408)	(463)	(4,408)	(463)
Total	<u>1,556,342</u>	<u>1,373,183</u>	<u>2,110,923</u>	<u>1,623,193</u>

- a.** Refers, basically, to balances for purchase of foreign currency to liquidate, net of advances, amounting to R\$ 608,461 (2004 - R\$ 420,492) and rights to sell foreign currency, net of advances, amounting to R\$ 384,532 (2004 - R\$ 759,842) for Banco Votorantim and in Consolidated.
- b.** Represented, substantially, by a margin deposit in guarantee of repurchase operations abroad in the amount of R\$ 117,052 (2004 - R\$ 65,091) and differential receivable from transactions traded on the São Paulo stock exchange (BOVESPA), in the amount of R\$ 35,353 (2004 - There was none), in Banco Votorantim S.A., and R\$ 100,158 (2004 - There was none) in Consolidated.
- c.** Refer, basically, to taxes and contributions to compensate, of R\$ 5,092 (2004 - R\$ 28,818) in Banco Votorantim S.A. and R\$ 34,508 (2004 - R\$ 54,309) in Consolidated; tax credits of R\$ 113,161 (2004 - R\$ 2,374) for Banco Votorantim S.A. and R\$ 198,220 (2004 - R\$ 85,064) in Consolidated, market value of Financing portfolio, described in note 8e in Consolidated and options for tax incentives of R\$ 8,983 (2004 - R\$ 2,033), in Banco Votorantim S.A., and R\$ 13,423, in Consolidated (2004 - R\$ 2,354); amount receivable for sale of securities R\$ 275,194, in Banco Votorantim S.A. and in Consolidated.

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Notes to the financial statements

(In thousands of Reais)

10 Investments

	Number of quotas/shares held	Investment interest - %	Shareholders' equity	2005		2004		Book value of investments
				Net profit	Result from investment interest	Results from investment interest	Book value of investments	
BV Financeira S.A. - Crédito, Financiamento e Investimento	117,426	99.99	704,563	189,425	191,906	704,515	64,472	360,488
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	20,177	99.98	121,743	15,158	4,856	121,718	17,259	126,886
Votorantim Bank Limited	1,000,000	4.03	114,905	2,885	(687)	4,636	838	8,907
Votorantim Asset Management DTVM Ltda.	1,499,800	99.99	51,952	7,620	7,960	51,946	5,413	36,607
BV Leasing - Arrendamento Mercantil S.A.	446,726	99.99	583,952	30,138	<u>31,067</u>	<u>583,947</u>	<u>23,038</u>	<u>524,470</u>
Total					<u>235,102</u>	<u>1,466,762</u>	<u>111,020</u>	<u>1,057,358</u>

- a. Votorantim Bank Limited - The results from the equity interest refer, mainly, to recognition of results in the investment, plus the effects of foreign exchange variation on foreign currency investments and adjustments recognized directly to shareholders' equity. Banco Votorantim S.A. holds 100% of the ordinary shares (4.03% of the total shares) in Votorantim Bank Limited, which guarantees it shareholding control.
- b. Other Financial Institution - The results from the equity interest refer to recognition of net profit plus the adjustments recognized directly to shareholders' equity.
- c. On February 27, 2002, a Branch of the Bank abroad, located in Nassau - Bahamas. On June 25, 2004, capital was increased by R\$ 466,200 (equivalent to US\$ 150,000 at that date). The balances of the shareholders' equity and statement of income from the operation of this Branch, which are consolidated in Banco Votorantim S.A. are the following: total assets R\$ 6,097,581 (2004 - R\$ 4,373,166), total liabilities R\$ 5,187,643 (2004 - R\$ 3,433,967) shareholders' equity R\$ 901,056 (2004 - R\$ 939,199) and income in the semester R\$ 25,111 (2004 - R\$ 9,825).

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Notes to the financial statements

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11 Deposits

Represented, mainly, by time deposits of R\$ 13,339,826 (2004 - R\$ 10,683,433) obtained by Banco Votorantim S.A., maturing by March 2016, and R\$ 13,319,377 (2004 - R\$ 10,349,317) in Consolidated.

12 Money market repurchase commitments

The money market repurchase commitments, contracted from financial institutions, of R\$ 8,558,942 (2004 - R\$ 13,540,804) for Banco Votorantim S.A., and are tied to public and private securities. In Consolidated they amount to R\$ 8,385,054 (2004 - R\$ 13,757,992) and refer to these operations.

13 Acceptances and endorsements and liabilities from borrowings and repasses

a. Acceptances and endorsements

The liabilities from acceptances and endorsements represent foreign currency funds, obtained from the issue of securities in the international and national market and overseas banks for repasses to domestic clients, maturing by January 2007, with financial charges of up to 7.25% per annum, plus foreign currency variation.

b. Borrowings

Represented by foreign currency funds, obtained by overseas and domestic banks, mainly, for lending to clients, maturing by June 2010, with financial charges of up to 6.23% per annum, plus foreign currency variation, if post fixed, in Banco Votorantim S.A.

c. Repasses

Represented by funds provided by the National Economic and Social Development Bank - BNDES, through its Special Agency for Industrial Financing - FINAME, maturing by September 2013 with monetary correction (Long Term Interest Rate - TJLP and currency basket) and financial charges of up to 9.75% per annum.

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Notes to the financial statements

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14 Other liabilities

	<u>Bank</u>		<u>Consolidated</u>	
	2005	2004	2005	2004
Foreign exchange portfolio (a)	739,782	1,171,181	739,782	1,171,181
Social and statutory (b)	158,285	83,837	197,802	120,423
Tax and social security (c)	438,485	419,100	706,553	536,518
Due in connection with securities dealings (d)	69,506	40,589	81,670	52,108
Other (e)	<u>323,192</u>	<u>61,753</u>	<u>362,949</u>	<u>153,109</u>
Total	<u>1,729,250</u>	<u>1,776,460</u>	<u>2,088,756</u>	<u>2,033,339</u>

(a) Foreign exchange portfolio refers to the obligations from the purchase of foreign currency to settle, net of advances - R\$ 289,048 (2004 - R\$ 711,277) and for the sale of foreign currency to settle, net of advances - R\$ 450,734 (2003 - R\$ 411,903), for Banco Votorantim S.A. and in Consolidated.

(b) Statutory refers basically to the balance for interest on shareholders' equity of R\$ 145,885 (2004 - R\$ 63,882) for Banco Votorantim S.A. and in Consolidated and the balance for profit sharing of R\$ 12,400 (2004 - R\$ 19,955) for Banco Votorantim S.A and R\$ 40,917 (2004 - R\$ 21.986), in Consolidated.

(c) The tax and social security balances are represented, mainly, by income tax and social contribution payable in the amount of R\$ 72,166 (2004 - R\$ 122,148) in Consolidated; deferred income tax and social contribution in the amount of R\$ 187,699 (2004 - R\$ 117,381), in Banco Votorantim S.A. and R\$ 361,038 (2004 - R\$ 200,244) in Consolidated; provision for tax risks in the amount of R\$ 6.910 (2004 - R\$ 6.340) in Banco Votorantim S.A. and R\$ 12,068 (2004 - R\$ 8,605) in Consolidated; taxes and contributions payable of R\$ 243,876 (2004 - R\$ 195,917) in Banco Votorantim S.A., and R\$ 261,281 (2004 - R\$ 205,521) in Consolidated.

(d) The balances of Due in connection with securities dealing are represented, mainly, by daily adjustments to the transactions undertaken on the futures market, described in Note 7, and by amounts payable for share loan contracts in the amount of R\$ 39,421 (2004 - R\$ 4,474) for Banco Votorantim S.A. and in Consolidated.

(e) The balances of Other are represented, substantially, by amounts payable for purchase of

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securities in the amount of R\$ 300,105 (2004 - R\$ 54,577), in Banco Votorantim S.A. and in Consolidated.

15 Shareholders' equity - Bank

a. Capital

The subscribed and paid in capital is represented by 51,672,452,590 (2004 - 49,818,881,161) ordinary shares with no par value.

On June 29, 2004, the shareholders approved in the Extraordinary General Meeting a capital increase in cash of R\$ 250,000, through the issue of 4,545,454,546 new shares, resulting in capital being represented by 49,818,881,161 ordinary shares with no par value. The increase was approved by the Central Bank of Brazil on July 08, 2004. Furthermore, on December 29, 2004, the shareholders approved in the Extraordinary General Meeting another capital increase of R\$ 129,750, through the issue of 1,853,571,429 new shares, through the use of part of the amount distributed to the shareholders as interest on shareholders' equity, ratified by the Central Bank of Brazil on February 22, 2005.

b. Dividends

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

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

c. Interest on shareholders' equity

In accordance with the option provided under Law 9,249/95, in 2004 the Bank calculated interest on shareholders' equity based on the long term interest rate (TJLP) in force during the year, of R\$ 145,885, which was recorded as financial expenses, as required under the tax legislation. For purposes of these financial statements, this interest has been eliminated from financial expenses for the year and has been recorded to the retained earnings account as the corresponding entry for the current liability.

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Notes to the financial statements

(In thousands of Reais)

Income and social contribution taxes for the year were decreased by approximately R\$ 49,601, as result of deducting the interest on shareholders' equity credited to shareholders from these taxes.

16 Income tax and social contribution

Bank

a. Charges due on operations for the semester

Presented below are the income tax and social contribution on operations for the semester:

	2005	2004
Profit before income tax and social contribution	366,610	485,871
Charges (income tax and social contribution) at the nominal rates of 25% and 9% respectively	(124,647)	(165,196)
Permanent exclusions/(additions)	<u>(13,421)</u>	<u>58,276</u>
Nondeductible expenses	(19)	(78)
Profit sharing	4,413	7,113
Tax loss and negative social contribution base	(105,906)	-
Equity in income of subsidiary and exchange rate	46,352	52,127
Results of subsidiary and branch overseas	(8,578)	(3,418)
Interest NTN-A	716	2,532
Interest on shareholders' equity	49,601	-
Temporary exclusions/(additions)	<u>138,068</u>	<u>7,457</u>
Allowance for loan losses	(4,534)	5,080
Market adjustment Circulars 3,068 and 3,082	(1,749)	2,180
Derivatives - Law 11,051	140,364	-
Others	3,987	197
Current income tax and social contribution	-	(99,463)
Income tax and social contribution of prior years	19,559	-
Deferred income tax and social contribution	<u>(138,615)</u>	<u>(2,180)</u>
Total income tax and social contribution	<u>(119,056)</u>	<u>(101,643)</u>

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Notes to the financial statements

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b. *Deferred income tax and social contribution affecting the results was calculated as follows*

Deferred income tax and social contribution	2005	2004
Additions/(exclusions):		
Market adjustment Circulars 3,068 and 3,082	1,749	(2,180)
Derivatives - Law 11,051	<u>(140,364)</u>	<u>—</u>
Deferred income tax and social contribution for the semester	<u>(138,615)</u>	<u>(2,180)</u>
Tax credit		
Additions/(exclusions):		
Allowance for loan losses	4,534	(5,080)
Tax loss and negative social contribution base	<u>105,906</u>	<u>—</u>
Deferred tax assets for the semester	<u>110,440</u>	<u>(5,080)</u>

c. *Deferred income tax and social contribution*

Asset (Other receivables - Other)

Opening balance	2,721	7,454
Allowance for loan losses	4,534	(5,080)
Tax loss and negative social contribution base	<u>105,906</u>	<u>—</u>
Closing balance	<u>113,161</u>	<u>2,374</u>

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(In thousands of Reais)

	2005	2004
Liabilities (Other liabilities - tax and social security)		
Opening balance	49,084	115,201
Market adjustment Circulars 3,068 and 3,082	(1,749)	2,180
Derivatives - Law 11,051	<u>140,364</u>	<u>-</u>
Closing balance	<u>187,699</u>	<u>117,381</u>

d. Estimated realization

	2005	2006	Total
Allowance for loan losses	4,128	3,127	7,255
Tax loss	<u>71,558</u>	<u>34,348</u>	<u>105,906</u>
Total	<u>75,686</u>	<u>37,475</u>	<u>113,161</u>

Bank - technical study for realization of tax credits

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

- Compliance with the conditions of Resolution 3,059 of December 20, 2002.
- Tax credit on timing differences: constituted on the allowance for loan losses, realization of which depends on the legal period for deductibility according to law 9430/96. After exhausting all legal collection resources, any recoveries or reduction of losses will result in a decrease in the provision, to be excluded from the taxable base. Estimated realization: maximum of between 1 and 2 years.
- Tax credit recorded on the tax loss arising, mainly, from the effects of derivative financial instruments, through the publication of Law 11,051 (art. 32), of December 29, 2004, the amortization of which should occur not later than June 2006, arising from the projection of results and from the realization of these derivatives.
- The accounting balance considers the present value of tax credits.

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

Consolidated

a. Charges due on operations

Presented below are the income tax and social contribution on operations for the semester:

	2005	2004
Profit before income tax and social contribution	525,057	574,040
Charges (income tax and social contribution) at the nominal rates of 25% and 9% respectively	<u>(178,519)</u>	<u>(195,173)</u>
Permanent exclusions/(additions)	<u>(45,856)</u>	<u> 19,381</u>
Nondeductible expenses	(1,080)	(357)
Tax loss and negative social contribution base	(104,941)	2,607
Profit sharing	15,666	14,382
Results of subsidiary and branch overseas	(8,578)	(3,418)
Interest NTN-A	3,476	6,617
Temporary exclusions/(additions)	<u>152,067</u>	<u> 54,275</u>
Allowance for loan losses	(7,508)	(7,338)
Market adjustment Circulars 3,068 and 3,082	42,325	49,697
Provision for tax and labor contingencies	(2,395)	(1,471)
Superveniência de depreciação	284	793
Derivatives - Law 11,051	150,360	-
Others	(31,199)	12,594
Current income tax and social contribution	(72,308)	(121,517)
Income tax and social contribution of prior years	19,559	-
Deferred income tax and social contribution	<u>(193,169)</u>	<u>(50,490)</u>
Total income tax and social contribution	<u>(245,918)</u>	<u>(172,007)</u>