



**Banco Votorantim S.A.**

**Financial statements  
June 30, 2007 and 2006**

(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

**Semesters ended June 30, 2007 and 2006**

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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, 2007 and 2006 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, 2007 and 2006, 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 14, 2007

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, 2007 and 2006

(In thousands of Reals)

	Bank		Consolidated			Bank		Consolidated	
	2007	2006	2007	2006		2007	2006	2007	2006
<b>Assets</b>					<b>Liabilities</b>				
<b>Current assets</b>	<u>62,570,449</u>	<u>45,877,425</u>	<u>48,485,303</u>	<u>40,395,671</u>	<b>Current Liabilities</b>	<u>36,531,810</u>	<u>29,320,556</u>	<u>36,027,198</u>	<u>28,766,700</u>
<b>Cash and cash equivalents</b>	<u>5,238</u>	<u>6,966</u>	<u>307</u>	<u>31,552</u>	<b>Deposits</b>	<u>11,933,961</u>	<u>10,271,457</u>	<u>11,499,516</u>	<u>9,722,428</u>
<b>Interbank funds applied</b>	<u>26,789,539</u>	<u>25,434,536</u>	<u>13,627,762</u>	<u>16,372,274</u>	Demand deposits	76,232	60,809	88,647	72,195
Money market	11,059,031	14,949,033	11,059,031	14,949,033	Interbank deposits	1,462,204	1,520,414	1,021,294	926,723
Interbank Deposits	15,702,516	10,400,184	2,540,739	1,337,922	Time deposits	10,393,736	8,689,962	10,387,786	8,723,238
Foreign currency deposits	27,992	85,319	27,992	85,319	Other deposits	1,789	272	1,789	272
<b>Securities and derivative financial instruments</b>	<u>28,014,963</u>	<u>15,442,021</u>	<u>19,519,240</u>	<u>13,424,166</u>	<b>Money market repurchase commitments</b>	<u>13,427,642</u>	<u>12,396,062</u>	<u>12,789,610</u>	<u>12,055,612</u>
Own portfolio	9,201,821	6,387,639	9,263,431	5,160,689	Own portfolio	7,894,766	3,117,045	7,256,734	2,776,595
Subject to repurchase commitments	12,791,883	3,552,597	4,201,902	2,774,728	Third party portfolio	4,149,025	8,351,105	4,149,025	8,351,105
Derivative financial instruments	1,103,673	1,962,689	1,093,437	1,713,991	Portfolio free movement	1,383,851	927,912	1,383,851	927,912
Deposited with the Central Bank	1,371,203	1,527,252	1,371,203	1,527,252	<b>Acceptances and endorsements</b>	<u>298,369</u>	<u>239,934</u>	<u>298,369</u>	<u>239,934</u>
Subject to guarantees provided	3,546,383	2,011,844	3,589,267	2,247,506	Liabilities from overseas securities	298,369	239,934	298,369	239,934
<b>Interbank accounts</b>	<u>1,191,861</u>	<u>1,332,926</u>	<u>1,191,861</u>	<u>1,332,926</u>	<b>Interbank accounts</b>	<u>9,668</u>	<u>6,535</u>	<u>9,668</u>	<u>6,535</u>
Collections in transit	545	981	545	981	Collections in transit	9,668	6,535	9,668	6,535
Deposits with the Central Bank	1,177,427	1,331,625	1,177,427	1,331,625	<b>Interbranch accounts</b>	<u>40,358</u>	<u>34,456</u>	<u>41,472</u>	<u>34,856</u>
Interbank repasses	13,215	-	13,215	-	Third party funds in transit	-	34,456	-	34,856
Correspondents	674	320	674	320	Foreign payment order	40,358	-	40,358	-
<b>Loans</b>	<u>3,817,084</u>	<u>2,318,631</u>	<u>10,476,481</u>	<u>7,601,226</u>	Internal transfer of funds	-	-	1,114	-
Loans - Public sector	16,376	191	16,376	1,910	<b>Borrowings and repasses</b>	<u>4,089,391</u>	<u>1,957,593</u>	<u>4,089,504</u>	<u>1,957,828</u>
Loans - Private sector	2,192,569	1,016,734	3,096,239	1,450,334	Domestic repasses - Other institutions	-	46,366	-	46,366
Financing - Private sector	1,478,260	1,152,652	7,526,807	6,202,307	Overseas borrowings	1,827,816	879,098	1,827,816	879,098
Financing - Rural and Agricultural-Industrial	60,636	60,247	60,636	60,247	Domestic repasses - Official institutions	2,261,575	1,032,129	2,261,688	1,032,364
Financing - Securities	107,722	112,187	107,722	112,187	<b>Derivative financial instruments</b>	<u>3,313,566</u>	<u>2,321,800</u>	<u>3,317,562</u>	<u>2,483,007</u>
Allowance for loan losses	(38,479)	(25,099)	(331,299)	(225,759)	Derivative financial instruments	3,313,566	2,321,800	3,317,562	2,483,007
<b>Lease operations</b>	<u>-</u>	<u>-</u>	<u>27,680</u>	<u>10,991</u>	<b>Other liabilities</b>	<u>3,418,855</u>	<u>2,092,719</u>	<u>3,981,497</u>	<u>2,266,500</u>
Leases receivable - Private sector	-	-	55,899	35,545	Foreign exchange portfolio	1,874,427	633,569	1,874,427	633,569
Leases receivable - Public sector	-	-	3,520	-	Social and statutory	195,929	149,387	274,415	214,014
Unearned lease income	-	-	(23,300)	(14,785)	Tax and social security	634,315	865,488	968,273	982,792
Allowance for lease losses	-	-	(8,439)	(9,769)	Due in connection with securities dealings	358,486	61,132	389,138	89,759
<b>Other receivables</b>	<u>2,750,211</u>	<u>1,340,105</u>	<u>3,184,272</u>	<u>1,347,498</u>	Other	355,698	383,143	475,244	346,366
Foreign exchange portfolio	2,355,546	881,200	2,355,546	881,200	<b>Long-term liabilities</b>	<u>28,026,019</u>	<u>19,353,772</u>	<u>18,361,101</u>	<u>17,293,986</u>
Income receivable	5,274	4,956	10,355	5,053	<b>Deposits</b>	<u>19,348,423</u>	<u>15,542,951</u>	<u>6,199,234</u>	<u>12,001,405</u>
Guarantees honored	289	-	289	-	Interbank deposits	13,208,902	5,664,833	33,321	2,128,492
Securities clearing accounts	99,106	74,305	127,131	90,480	Time deposits	6,139,521	9,878,118	6,165,913	9,872,913
Other	298,062	384,353	699,017	375,474	<b>Money market repurchase commitment</b>	<u>5,071,192</u>	<u>395,039</u>	<u>5,071,192</u>	<u>395,039</u>
Provision for doubtful receivable	(8,066)	(4,709)	(8,066)	(4,709)	Own portfolio	4,751,974	395,039	4,751,975	395,039
<b>Other assets</b>	<u>1,553</u>	<u>2,240</u>	<u>427,307</u>	<u>275,038</u>	Portfolio free movement	319,218	-	319,217	-
Other assets	-	-	33,291	20,966	<b>Acceptances and endorsements</b>	<u>2,132,035</u>	<u>-</u>	<u>3,943,093</u>	<u>1,388,756</u>
Prepayments	1,553	2,240	394,016	254,072	Funds from debentures	-	-	1,811,066	1,388,756
<b>Long-term assets</b>	<u>5,359,926</u>	<u>5,595,695</u>	<u>11,422,012</u>	<u>9,886,063</u>	Liabilities from overseas securities	2,132,035	-	2,132,027	-
<b>Interbank funds applied</b>	<u>290,955</u>	<u>1,098,930</u>	<u>290,955</u>	<u>1,086,884</u>	<b>Borrowings and repasses</b>	<u>708,817</u>	<u>1,445,801</u>	<u>729,352</u>	<u>1,446,094</u>
Interbank deposits	290,955	1,098,930	290,955	1,086,884	Overseas borrowings	283,805	547,750	283,805	547,750
<b>Securities and derivative financial instruments</b>	<u>1,570,136</u>	<u>1,819,626</u>	<u>1,399,388</u>	<u>1,985,700</u>	Domestic repasses - Official institutions	425,012	898,051	445,547	898,344
Subject to repurchase commitments	-	82,776	-	82,776	<b>Derivative financial instruments</b>	<u>744,551</u>	<u>1,953,943</u>	<u>965,470</u>	<u>1,950,801</u>
Derivative financial instruments	1,570,136	1,393,519	1,399,388	1,559,593	Derivative financial instruments	744,551	1,953,943	965,470	1,950,801
Subject to guarantees provided	-	343,331	-	343,331	<b>Other liabilities</b>	<u>21,001</u>	<u>16,038</u>	<u>1,452,760</u>	<u>111,891</u>
<b>Loans</b>	<u>3,456,073</u>	<u>2,507,351</u>	<u>9,289,840</u>	<u>6,242,298</u>	Foreign exchange portfolio	-	1,170	-	1,170
Loans - Public sector	163,862	155,687	163,862	155,687	Tax and social security	20,557	14,868	66,550	110,721
Loans - Private sector	1,290,236	995,354	2,130,645	1,357,405	Due in connection with securities dealings	7	-	7	-
Financing - Private sector	1,883,801	1,287,979	6,986,177	4,730,473	Subordinated debt	-	-	1,381,468	-
Financing - Rural and Agricultural-Industrial	137,544	88,992	137,544	88,992	Other	437	-	4,735	-
Allowance for loan losses	19,370	(20,661)	(128,388)	(90,259)	<b>Deferred income</b>	<u>6,571</u>	<u>13,784</u>	<u>6,571</u>	<u>13,784</u>
<b>Lease operations</b>	<u>-</u>	<u>-</u>	<u>19,607</u>	<u>12,217</u>	<b>Minority interest</b>	<u>-</u>	<u>-</u>	<u>29,376</u>	<u>108,319</u>
Leases receivable - Private sector	-	-	52,107	-	<b>Shareholders' equity</b>	<u>5,599,379</u>	<u>4,186,448</u>	<u>5,599,379</u>	<u>4,186,448</u>
Leases receivable - Public sector	-	-	4,348	27,395	Capital:				
Unearned lease income	-	-	(36,640)	(14,847)	Domestic	3,380,000	2,880,000	3,380,000	2,880,000
Allowance for loan losses	-	-	(208)	(331)	Capital reserves	21,261	14,553	21,261	14,553
<b>Other receivables</b>	<u>42,751</u>	<u>169,788</u>	<u>175,129</u>	<u>405,876</u>	Revenue reserves	1,615,820	1,211,857	1,615,820	1,211,857
Foreign exchange portfolio	-	1,091	-	1,091	Retained earnings	582,298	80,038	582,298	80,038
Securities clearing accounts	22,895	-	22,895	-	<b>Total liabilities</b>	<u>70,163,779</u>	<u>52,874,560</u>	<u>60,023,625</u>	<u>50,369,237</u>
Other	19,857	168,703	152,235	404,791					
Provision for doubtful receivable	(1)	(6)	(1)	(6)					
<b>Other assets</b>	<u>11</u>	<u>-</u>	<u>247,093</u>	<u>153,088</u>					
Prepayments	11	-	247,093	153,088					
<b>Permanent assets</b>	<u>2,233,404</u>	<u>1,401,440</u>	<u>116,310</u>	<u>87,503</u>					
<b>Investments</b>	<u>2,210,208</u>	<u>1,385,885</u>	<u>33,982</u>	<u>27,838</u>					
Domestic subsidiaries and affiliates	2,188,589	1,360,455	-	-					
Investment in overseas subsidiary	4,626	10,857	-	-					
Other investments	16,993	14,573	33,982	27,838					
<b>Fixed assets</b>	<u>16,930</u>	<u>12,412</u>	<u>52,758</u>	<u>39,102</u>					
Other fixed assets for use	40,321	32,345	99,879	75,924					
Accumulated depreciation	(23,391)	(19,933)	(47,121)	(36,822)					
<b>Deferred charges</b>	<u>6,266</u>	<u>3,143</u>	<u>29,570</u>	<u>20,563</u>					
Organization and expansion expenses	14,691	9,825	59,182	40,837					
Accumulated amortization	(8,425)	(6,682)	(29,612)	(20,274)					
<b>Total assets</b>	<u>70,163,779</u>	<u>52,874,560</u>	<u>60,023,625</u>	<u>50,369,237</u>					

See the accompanying notes to the financial statements.

# Banco Votorantim S.A.

## Statements of income

### Semesters ended June 30, 2007 and 2006

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

	Bank		Consolidated	
	2007	2006	2007	2006
<b>Financial operations income</b>	3,688,989	3,245,114	3,964,489	3,932,590
Loans	237,362	281,472	1,997,467	1,578,640
Lease operations	-	-	14,075	10,404
Securities income	3,246,466	2,261,414	2,061,951	1,612,367
Derivative financial instruments	133,171	611,553	(180,994)	640,504
Compulsory investments	7,199	90,675	71,990	90,675
<b>Financial operations expenses</b>	(3,272,941)	(2,731,710)	(2,701,341)	(2,839,747)
Deposits, money market and interbank funds	(3,067,552)	(2,610,711)	(2,253,006)	(2,535,670)
Borrowings, assignments and repasses	(188,258)	(81,968)	(189,106)	(82,000)
Lease operations	-	-	(10,241)	(7,609)
Foreign exchange operations	(18,590)	(22,633)	(18,590)	(22,633)
Allowance for loan losses	1,459	(16,398)	(230,398)	(191,835)
<b>Gross income from financial operations</b>	416,048	513,404	1,263,148	1,092,843
<b>Other operating income/(expenses)</b>	261,413	(34,947)	(391,894)	(530,402)
Service fee income	33,807	18,844	306,645	196,903
Personnel expenses	(49,951)	(55,359)	(135,009)	(129,060)
Other administrative expenses	(46,120)	(31,312)	(283,944)	(197,307)
Tax expenses	(41,640)	5,634	(134,891)	(65,940)
Equity in earnings of subsidiaries	461,762	111,137	-	-
Other operational income	21,440	2,715	347,084	9,060
Other operational expenses	(117,885)	(86,606)	(491,779)	(344,058)
<b>Operating results</b>	677,461	478,457	871,254	562,441
<b>Non operating results</b>	-	32	(12,352)	(4,143)
<b>Income before taxation and profit sharing</b>	677,461	478,489	858,902	558,298
<b>Income tax and social contribution</b>	(33,173)	(103,786)	(140,751)	(128,362)
Provision for income tax	14,337	(147,208)	(75,268)	(209,398)
Provision for social contribution	3,140	(52,995)	(30,217)	(76,613)
Deferred income tax and social contribution	(50,650)	96,417	(35,266)	157,649
<b>Profit sharing</b>	(34,795)	(22,786)	(105,756)	(74,763)
<b>Net profit before minority interest</b>	609,493	351,917	612,395	355,173
<b>Minority interest</b>	-	-	(2,902)	(3,256)
<b>Net profit</b>	609,493	351,917	609,493	351,917
<b>Net profit per lot of one thousand shares - R\$</b>	8.22	5.25		

See the accompanying notes to the financial statements.

# Banco Votorantim S.A.

## Statements of changes in shareholders' equity

Semesters ended June 30, 2007 and 2006

(In thousands of Reais)

	Capital	Capital reserves	Revenue reserves		Retained earnings	Total
			Legal	Expansion		
<b>Balances at December 31, 2005</b>	2,380,000	13,826	149,927	1,437,855	53,279	4,034,887
Reversal of reserve	-	-	-	(379,600)	379,600	-
Prior year adjustments	-	-	-	-	(379,533)	(379,533)
Distribution of dividends	-	-	-	(20,000)	-	(20,000)
Capital increase	500,000	-	-	-	-	500,000
Constitution of reserve:						
Allocation to investments	-	727	-	-	-	727
Net profit	-	-	-	-	351,917	351,917
Distribution of net profit:						
Legal reserve	-	-	23,675	-	(23,675)	-
Interest on shareholders' equity	-	-	-	-	(174,950)	(174,950)
Distribution of dividends	-	-	-	-	(126,600)	(126,600)
<b>Balances at June 30, 2006</b>	<u>2,880,000</u>	<u>14,553</u>	<u>173,602</u>	<u>1,038,255</u>	<u>80,038</u>	<u>4,186,448</u>
<b>Balances at December 31, 2006</b>	3,380,000	15,357	200,459	1,384,887	53,279	5,033,982
Fiscal incentives	-	4,288	-	-	-	4,288
Constitution of reserve:						
Allocation to investments	-	1,616	-	-	-	1,616
Net profit	-	-	-	-	609,493	609,493
Distribution of net profit:						
Legal reserve	-	-	30,474	-	(30,474)	-
Distribution of dividends	-	-	-	-	(50,000)	(50,000)
<b>Balances at June 30, 2007</b>	<u>3,380,000</u>	<u>21,261</u>	<u>230,933</u>	<u>1,384,887</u>	<u>582,298</u>	<u>5,599,379</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in financial position

Semesters ended June 30, 2007 and 2006

(In thousands of Reais)

	Bank		Consolidated	
	2007	2006	2007	2006
<b>Sources of funds</b>	<u>7,658,639</u>	<u>8,205,960</u>	<u>12,071,375</u>	<u>8,122,947</u>
<b>Net profit</b>	<u>609,493</u>	<u>351,917</u>	<u>609,493</u>	<u>351,917</u>
<b>Adjustments to net profit</b>	<u>(458,667)</u>	<u>(108,912)</u>	<u>10,572</u>	<u>7,711</u>
Depreciation and amortization	3,095	2,225	10,572	7,711
Results from investments in subsidiaries	(461,762)	(111,137)	-	-
<b>Prior year adjustments</b>	<u>-</u>	<u>67</u>	<u>-</u>	<u>(379,533)</u>
<b>Minority interest</b>	<u>-</u>	<u>-</u>	<u>(83,188)</u>	<u>(5,312)</u>
<b>Funds from shareholders</b>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Capital increase	-	500,000	-	500,000
<b>Interest on shareholders' equity</b>	<u>-</u>	<u>78,897</u>	<u>-</u>	<u>-</u>
<b>Variation in deferred income</b>	<u>(989)</u>	<u>(4,540)</u>	<u>(989)</u>	<u>(4,540)</u>
<b>Reserves</b>	<u>5,904</u>	<u>727</u>	<u>5,904</u>	<u>727</u>
Capital reserve	5,904	727	5,904	727
<b>Third party funds originating from:</b>	<u>7,502,898</u>	<u>7,387,804</u>	<u>11,529,583</u>	<u>7,651,977</u>
<b>Increase in liabilities</b>	<u>4,361,881</u>	<u>6,975,245</u>	<u>5,771,705</u>	<u>4,716,318</u>
Deposits	-	4,869,927	-	1,331,927
Money market repurchase commitments	1,625,799	1,875,207	1,442,272	1,833,928
Acceptances and endorsements	-	1,820	-	1,390,576
Interbranch accounts	4,030	29,669	4,204	30,037
Interbank accounts	9,668	6,535	9,668	6,535
Borrowings and repasses	1,019,272	-	1,027,384	-
Derivative financial instruments	208,143	-	443,828	35,919
Other liabilities	1,494,969	192,087	2,844,349	87,396
<b>Decrease in assets</b>	<u>3,134,800</u>	<u>408,289</u>	<u>5,757,640</u>	<u>2,935,599</u>
Interbank funds applied	2,887,341	-	5,510,673	-
Securities and derivative financial instruments	-	-	-	2,008,500
Interbank accounts	246,967	-	246,967	-
Other receivables	-	406,129	-	575,151
Other assets	492	2,160	-	351,948
<b>Disposal of assets and investments</b>	<u>2,790</u>	<u>60</u>	<u>238</u>	<u>60</u>
Investments	2,568	-	-	-
Fixed assets	222	60	238	60
<b>Dividends</b>	<u>3,427</u>	<u>4,210</u>	<u>-</u>	<u>-</u>
<b>Application of funds</b>	<u>7,678,449</u>	<u>8,206,456</u>	<u>12,095,914</u>	<u>8,117,639</u>
<b>Distribution of dividends</b>	<u>50,000</u>	<u>146,600</u>	<u>50,000</u>	<u>146,600</u>
<b>Interest on shareholders' equity</b>	<u>-</u>	<u>174,950</u>	<u>-</u>	<u>174,950</u>
<b>Variation in:</b>	<u>8,742</u>	<u>11,372</u>	<u>26,979</u>	<u>19,527</u>
Investments	1,616	7,086	3,139	1,179
Fixed assets	4,422	2,928	15,221	11,419
Deferred charges	2,704	1,358	8,619	6,929
<b>Increase in assets</b>	<u>7,233,285</u>	<u>7,380,843</u>	<u>9,109,518</u>	<u>7,247,664</u>
Interbank funds applied	-	6,526,280	-	4,735,850
Securities and derivative financial instruments	4,280,879	145,696	3,756,707	-
Interbank accounts	-	237,578	-	237,578
Loans	1,505,238	471,289	3,761,108	2,177,507
Lease operations	-	-	10,094	107
Other receivables	1,447,168	-	1,413,421	-
Other assets	-	-	168,188	96,622
<b>Decrease in liabilities</b>	<u>386,422</u>	<u>492,691</u>	<u>2,909,417</u>	<u>528,898</u>
Deposits	100,500	-	1,942,532	-
Acceptances and endorsements	285,922	-	966,885	-
Borrowings and repasses	-	412,414	-	411,935
Derivative financial instruments	-	80,277	-	-
Other liabilities	-	-	-	116,963
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(19,810)</u>	<u>(496)</u>	<u>(24,539)</u>	<u>5,308</u>
<b>Statement of changes in net working capital</b>				
<b>Cash and cash equivalents</b>				
At beginning of semester	25,048	7,462	55,239	26,244
At end of semester	<u>5,238</u>	<u>6,966</u>	<u>30,700</u>	<u>31,552</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(19,810)</u>	<u>(496)</u>	<u>(24,539)</u>	<u>5,308</u>

See the accompanying notes to the financial statements.

# Banco Votorantim S.A.

## Notes to the financial statements

### Semesters ended June 30, 2007 and 2006

(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 some 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. and its subsidiaries were prepared in accordance with corporate legislation and rules of the Central Bank of Brazil.

In accordance with Resolution 2723 of the Central Bank of Brazil, the operations of the overseas branch are consolidated with the head office and other branches in Brazil.

The consolidated financial statements include the financial statements of Banco Votorantim S.A. and its direct subsidiaries, as listed below:

	<u>Share</u>	
	<b>2007</b>	<b>2006</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 ( see note 12a)	4.03	4.03
Banco Votorantim Securities Inc.	100.00	100.00

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### *Description of main consolidated 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 Consolidated its financial position and results, in accordance with the financial method;
- e. The accounting balances of Votorantim Bank Limited and Banco Votorantim Securities, Inc., 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 Consolidated, these balances were adjusted to comply with accounting practices derived from Brazilian corporation law.

### **3 Description of main accounting practices**

#### *a. Statement of income*

The results are calculated on an accruals basis.

#### *b. Securities*

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

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***c. Derivative financial instruments***

Derivative financial instruments are classified according to Management's intention on the effective date of the operation, taking into consideration whether their purpose is to provide protection against risks (hedge) or not.

Derivative financial instruments that do not fulfill accounting hedge criteria established by BACEN are recorded at market value, with the valuations and devaluations directly in income for the period.

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

### ***d. Loan operations***

Stated at cost, including income calculated on a daily "pro rata" basis and monetary and foreign exchange variations earned to the balance sheet date. The allowance for loan losses is formed in a sufficient amount to cover any losses, taking into consideration the specific and global risks of the portfolio, as well as Central Bank of Brazil norms.

### ***e. Other assets***

Stated at cost, including income calculated on a daily "pro rata" basis and monetary and foreign exchange variations earned to the balance sheet date. Tax credits are recognized related and refer basically to the allowance for loan losses, tax loss and negative social contribution basis.

### ***f. 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. Liquidation of the transactions involving these estimates could result in values that differ from the estimates, as a result of the inaccuracies inherent to the process for determining such. The Institution reviews the estimates and premises at least monthly.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### *g. Permanent assets*

- i. Investments** - Valuation of investments in subsidiaries in Brazil and overseas, using the equity method.
- ii. Other Investments** - Other investments refer, mainly, to membership titles, stated at nominal value, corrected based on information received from the exchanges.
- iii. Fixed Assets** - Stated at cost, the depreciation is calculated using the straightline method, based on annual rates that take into consideration the useful economic lives of the assets, as follows: fixtures and utensils, communication system - 10% and data processing equipment - 20%.
- iv. Deferred charges** - Refers to leasehold improvements, with its amortization calculated over periods that correspond to the benefits generated.

### *h. Other liabilities*

Stated at known or estimated values, including, when applicable, charges calculated on a “pro rata” daily basis and monetary and foreign exchange variations incurred up to the balance sheet date. The provisions for current income tax and social contribution were recorded at the rates of 15%, plus a surtax of 10% and 9%, respectively, in accordance with the legislation. The income tax and social contribution deferred were calculated using the same rates as current tax.

## 4 Interbank funds applied

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Interbank deposits	15,993,471	11,499,114	2,831,694	2,424,806
Investments on the money market	11,059,031	14,949,033	11,059,031	14,949,033
Foreign currency investments	<u>27,992</u>	<u>85,319</u>	<u>27,992</u>	<u>85,319</u>
Total	<u>27,080,494</u>	<u>26,533,466</u>	<u>13,918,717</u>	<u>17,459,158</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

5 Securities

Bank

		2007								2006	
		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	Above 15 years	Total	Market value
NTN-A	47,616	53,611	5,995	-	-	-	-	53,611	-	53,611	69,555
NTN-B	2,471,857	2,576,554	104,697	-	-	780,720	1,284,094	511,738	2	2,576,554	1,847,039
NTN-C	336,843	341,961	5,118	-	341,961	-	-	-	-	341,961	595,035
NTN-D	144,479	148,014	3,535	20,448	19,802	107,764	-	-	-	148,014	116,623
NTN-F	1,666,307	1,657,495	(8,812)	-	-	3,927	1,554,510	99,058	-	1,657,495	701,991
NBC-E	-	-	-	-	-	-	-	-	-	-	437
LFT	57,141	57,137	(4)	795	12,628	43,714	-	-	-	57,137	4,356
LTN	4,928,840	4,934,649	5,809	1,624	-	4,933,025	-	-	-	4,934,649	3,587,770
Mortgage bills	-	-	-	-	-	-	-	-	-	-	7,905
CRI	14,806	17,422	2,616	-	-	-	-	17,422	-	17,422	15,082
Debentures	9,842,830	9,894,944	52,114	-	-	83,059	194,675	804,349	8,812,861	9,894,944	3,019,212
Eurobonds	1,100,654	1,100,654	-	4,884	1,454	363,021	223,766	507,529	-	1,100,654	1,291,199
BR Exit	217,138	222,258	5,120	222,258	-	-	-	-	-	222,258	278,145
Securities issued other countries	2,545,441	2,581,424	35,983	-	2,527,136	54,288	-	-	-	2,581,424	-
CDB	581,909	581,909	-	-	34,151	56,227	491,531	-	-	581,909	493,118
Promissory notes	16,763	16,763	-	16,763	-	-	-	-	-	16,763	-
CPR	25,549	25,549	-	4,708	16,715	4,126	-	-	-	25,549	437
TDA	145,275	149,853	4,578	3,980	27,636	74,238	31,059	12,940	-	149,853	20,898
Shares	387,999	425,369	37,370	425,369	-	-	-	-	-	425,369	384,547
Investments	1,759,299	1,759,299	-	1,759,299	-	-	-	-	-	1,759,299	947,722
<b>Total</b>	<b>26,290,746</b>	<b>26,544,865</b>	<b>254,119</b>	<b>2,460,128</b>	<b>2,981,483</b>	<b>6,504,109</b>	<b>3,779,635</b>	<b>2,006,647</b>	<b>8,812,863</b>	<b>26,544,865</b>	<b>13,387,071</b>
<b>Securities held to maturity</b>											
Eurobonds (Nassau Branch)	366,425	353,019	(13,406)	111,342	255,083	-	-	-	-	366,425	518,368
<b>Total</b>	<b>366,425</b>	<b>353,019</b>	<b>(13,406)</b>	<b>111,342</b>	<b>255,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,425</b>	<b>518,368</b>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated

			2007							2006	
			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	Above 15 years	Total	Market value
NTN-A	182,330	221,833	39,503	-	-	-	-	221,833	-	221,833	287,809
NTN-B	2,471,857	2,576,554	104,697	-	-	780,720	1,284,094	511,738	2	2,576,554	1,847,039
NTN-C	336,843	341,961	5,118	-	341,961	-	-	-	-	341,961	595,035
NTN-D	145,615	149,149	3,534	20,448	19,802	108,899	-	-	-	149,149	117,833
NTN-F	1,666,307	1,657,495	(8,812)	-	-	3,927	1,554,510	99,058	-	1,657,495	707,991
NBC-E	-	-	-	-	-	-	-	-	-	-	26,110
LFT	57,926	57,922	(4)	851	12,628	44,261	182	-	-	57,922	4,356
LTN	4,928,840	4,934,649	5,809	1,624	-	4,933,025	-	-	-	4,934,649	3,603,968
Mortgage bills	-	-	-	-	-	-	-	-	-	-	7,905
CRI	14,806	17,422	2,616	-	-	-	-	17,422	-	17,422	15,082
Debentures	1,029,968	1,082,083	52,115	-	-	83,059	194,675	804,349	-	1,082,083	963,750
Eurobonds	1,139,016	1,139,016	-	4,884	1,454	363,021	262,128	507,529	-	1,139,016	1,315,409
BR Exit	217,138	222,258	5,120	222,258	-	-	-	-	-	222,258	278,145
Securities issued other countries	2,545,441	2,581,424	35,983	-	2,527,136	54,288	-	-	-	2,581,424	-
CDB	581,909	581,909	-	-	34,151	56,227	491,531	-	-	581,909	493,118
Promissory notes	16,763	16,763	-	16,763	-	-	-	-	-	16,763	-
CPR	25,549	25,549	-	4,708	16,715	4,126	-	-	-	25,549	437
TDA	145,275	149,853	4,578	3,980	27,636	74,238	31,059	12,940	-	149,853	20,898
Shares	387,999	425,369	37,370	425,369	-	-	-	-	-	425,369	384,547
Investments	1,878,169	1,878,169	-	1,878,169	-	-	-	-	-	1,878,169	948,481
<b>Total</b>	<b>17,771,751</b>	<b>18,059,378</b>	<b>287,627</b>	<b>2,579,054</b>	<b>2,981,483</b>	<b>6,505,791</b>	<b>3,818,179</b>	<b>2,174,869</b>	<b>2</b>	<b>18,059,378</b>	<b>11,617,913</b>
<b>Securities held to maturity</b>											
Eurobonds (Nassau Barnch)	366,425	353,019	(13,406)	111,342	255,083	-	-	-	-	366,425	518,368
<b>Total</b>	<b>366,425</b>	<b>353,019</b>	<b>(13,406)</b>	<b>111,342</b>	<b>255,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,425</b>	<b>518,368</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

The pricing criteria for securities in the Brazilian market 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, 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.

### 6 Derivative financial instruments

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>				
Differential receivable from swap	2,298,267	3,143,234	2,117,283	3,060,610
Share term certificate - Sale	268,963	133,973	268,963	133,973
Share term certificate - Purchase	20,925	10,454	20,925	10,454
Options	<u>85,654</u>	<u>68,547</u>	<u>85,654</u>	<u>68,547</u>
Total	<u>2,673,809</u>	<u>3,356,208</u>	<u>2,492,825</u>	<u>3,273,584</u>
<b>Liabilities</b>				
Differential payable from swap	890,229	776,938	1,115,144	935,003
Share term certificate - Purchase	18,376	11,242	18,376	11,242
Share term certificate - Sale	290,379	141,591	290,379	141,591
Options	<u>2,859,133</u>	<u>3,345,972</u>	<u>2,859,133</u>	<u>3,345,972</u>
Total	<u>4,058,117</u>	<u>4,275,743</u>	<u>4,283,032</u>	<u>4,433,808</u>

Futures contracts are adjusted daily with a basis on the financial adjustments made by the Futures and Commodities Exchange. On June 30, 2007, the adjustments of the respective operations are recorded in Securities clearing accounts.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The operations negotiated on the organized stock exchanges have as the counter party financial institutions authorized by the BACEN. 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\$ 1,763,637 (2006 - R\$ 1,170,091), for Banco Votorantim S.A. and R\$ 1,805,415 (2006 - R\$ 1,686,819), in Consolidated.

The pricing policy for derivative financial instruments considers the prices and rates officially published by BM&F, premium calculations for options and other risks in accordance with conventional and accepted methodologies.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Bank

Type	2007										2006	
	Original value of contract	Values to receive/pay contracted	Values to receive/pay market	Unrealized profit/(loss)	Maturity dates					Total	Original value of contract	Values to receive/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			
<b>Swap</b>												
Dollar	(176,979)	46,681	200,614	153,933	(374,043)	424,508	(281,055)	51,906	379,298	200,614	(2,964,252)	(2,421,332)
Euro	(12,560)	(14,617)	(13,859)	758	(9,932)	(3,927)	-	-	-	(13,859)	(18,898)	(18,178)
Yen	429,070	427,128	426,052	(1,076)	39,885	386,167	-	-	-	426,052	-	-
DI	153,978	1,598,279	1,560,933	(37,346)	(411,582)	(866,731)	1,513,623	1,107,788	217,835	1,560,933	2,413,636	4,383,224
IGPM	(274,634)	(373,603)	(378,728)	(5,125)	20,585	(116,753)	(118,976)	(77,879)	(85,705)	(378,728)	(296,445)	(484,041)
IPCA	(2,183,358)	(2,444,121)	(2,562,916)	(118,795)	(250,039)	(9,159)	(870,577)	(868,033)	(565,108)	(2,562,916)	(1,360,132)	(1,374,808)
TRM	(154,000)	(172,653)	(178,102)	(5,449)	(22,085)	-	(156,017)	-	-	(178,102)	(15,000)	(17,578)
LIRA	(774,601)	(832,954)	(823,827)	9,127	-	(775,205)	(48,622)	-	-	(823,827)	-	-
Pre	3,018,774	3,172,857	3,204,698	31,841	1,001,996	1,466,347	634,490	101,865	-	3,204,698	2,244,224	2,302,796
TJLP	(25,690)	(26,834)	(26,827)	7	(374)	(19,175)	(4,159)	(3,119)	-	(26,827)	(3,133)	(3,787)
Total	-	1,380,163	1,408,038	27,875	(5,589)	486,072	668,707	312,528	(53,680)	1,408,038	-	2,366,296
<b>Options</b>												
Shares	(3,283)	31,323	(13,007)	(44,330)	60,834	(73,841)	-	-	-	(13,007)	(102,496)	(2,671)
Br exit	64,417	(496)	(496)	-	-	(496)	-	-	-	(496)	(75,750)	(588)
Dollar	65,012	9,152	9,558	406	(8,968)	10,198	-	-	8,328	9,558	402,488	(471)
DI	(906,200)	576	1,007	431	-	(406)	-	-	1,413	1,007	-	-
Flexible	59,812	622	622	-	42	(58)	638	-	-	622	-	-
Total	(720,242)	41,177	(2,316)	(43,493)	51,908	(64,603)	638	-	9,741	(2,316)	224,242	(3,730)
<b>Other derivative</b>												
<b>Financial instruments</b>												
Box options	-	(2,790,031)	(2,790,031)	-	(748,432)	(1,400,097)	(543,920)	(97,582)	-	(2,790,031)	-	(3,273,725)
Total	-	(2,790,031)	(2,790,031)	-	(748,432)	(1,400,097)	(543,920)	(97,582)	-	(2,790,031)	-	(3,273,725)

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated

Type	2007										2006	
	Original value of contract	Values to receive/pay contracted	Values to receive/pay market	Unrealized profit/(loss)	Maturity dates						Original value of contract	Values to receive/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	Total		
<b>Swap</b>												
Dollar	(1,855,608)	(1,871,943)	(1,723,467)	148,476	(361,449)	21,291	(149,795)	(1,596,627)	363,113	(1,723,467)	(2,063,595)	(1,993,667)
Euro	(12,560)	(14,617)	(13,859)	758	(9,932)	(3,927)	-	-	-	(13,859)	(18,898)	(18,178)
Yen	429,070	427,128	426,052	(1,076)	39,885	386,167	-	-	-	426,052	-	-
DI	1,828,244	3,108,741	3,071,464	(37,277)	(418,608)	(515,570)	1,338,061	2,423,069	244,512	3,071,464	1,544,220	3,756,990
IGPM	(274,634)	(373,603)	(378,728)	(5,125)	20,585	(116,753)	(118,976)	(77,879)	(85,705)	(378,728)	(300,707)	(488,346)
IPCA	(2,183,358)	(2,444,121)	(2,562,916)	(118,795)	(250,039)	(9,159)	(870,577)	(868,033)	(565,108)	(2,562,916)	(1,360,132)	(1,374,808)
TRM	(154,000)	(172,653)	(178,102)	(5,449)	(22,085)	-	(156,017)	-	-	(178,102)	(15,000)	(17,578)
LIRA	(774,601)	(832,954)	(823,827)	9,127	-	(775,205)	(48,622)	-	-	(823,827)	-	-
Pre	3,023,137	3,180,474	3,212,349	31,875	1,009,646	1,466,348	634,490	101,865	-	3,212,349	2,217,245	2,264,981
TJLP	(25,690)	(26,834)	(26,827)	7	(375)	(19,175)	(4,159)	(3,118)	-	(26,827)	(3,133)	(3,787)
Total	-	979,618	1,002,139	22,521	7,628	434,017	624,405	(20,723)	(43,188)	1,002,139	-	2,125,607
<b>Options</b>												
Shares	(3,283)	31,323	(13,007)	(44,330)	60,834	(73,841)	-	-	-	(13,007)	(102,496)	(2,671)
Br exit	64,417	(496)	(496)	-	-	(496)	-	-	-	(496)	(75,750)	(588)
Dollar	65,012	9,152	9,558	406	(8,968)	10,198	-	-	8,328	9,558	402,488	(471)
DI	(906,200)	576	1,007	431	-	(406)	-	-	1,413	1,007	-	-
Flexible	59,812	622	622	-	42	(58)	638	-	-	622	-	-
Total	(720,242)	41,177	(2,316)	(43,493)	51,908	(64,603)	638	-	9,741	(2,316)	224,242	(3,700)
<b>Other derivative financial instruments</b>												
Box options	-	(2,790,031)	(2,790,031)	-	(748,432)	(1,400,097)	(543,920)	(97,582)	-	(2,790,031)	-	(3,273,725)
Total	-	(2,790,031)	(2,790,031)	-	(748,432)	(1,400,097)	(543,920)	(97,582)	-	(2,790,031)	-	(3,273,725)

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

**Bank**

Type	2007							2006	
	Values to receive/pay market	Maturity dates					Total	Original value of contract	Values to receive/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			
<b>Futures</b>									
DDI	(951,901)	(731,733)	1,449,830	(31,120)	(675,880)	(962,998)	951,901	2,643,454	(17,183)
Dollar	(3,667,071)	(1,424,923)	(1,326,216)	(1,038,755)	22,767	100,056	(3,667,071)	(3,218,676)	21,073
IND	344,970	344,970	-	-	-	-	344,970	(81,303)	137
DI	(14,680,223)	(4,980,819)	(5,475,974)	(3,796,765)	(495,240)	68,575	(14,680,223)	(3,381,768)	(4,304)
Coffe	-	-	-	-	-	-	-	(460)	(8)
Euro	56	1	1	21	33	-	56	6,136	366
Treasury	964	964	-	-	-	-	964	-	-
Yen	2,812	2,812	-	-	-	-	2,812	-	-
Reais	75,643	52,583	219	837	3,332	18,672	75,643	389,574	13,529
BGI	(4,644)	-	(4,644)	-	-	-	(4,644)	-	-
<b>Total</b>	<b>(18,879,394)</b>	<b>(6,736,145)</b>	<b>(5,356,784)</b>	<b>(4,865,782)</b>	<b>(1,144,988)</b>	<b>(775,695)</b>	<b>(18,879,394)</b>	<b>(3,643,043)</b>	<b>13,610</b>

**Consolidated**

Type	2007							2006	
	Values to receive/pay market	Maturity dates					Total	Original value of contract	Values to receive/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			
<b>Futures</b>									
DDI	(1,326,029)	(714,405)	1,490,633	(422,383)	(716,876)	(962,998)	(1,326,029)	2,646,501	(14,585)
Dollar	(3,601,059)	(1,424,923)	(1,326,216)	(972,743)	22,767	100,056	(3,601,059)	(3,902,190)	21,073
IND	344,970	344,970	-	-	-	-	344,970	(81,302)	137
DI	(29,354,100)	(6,813,482)	(9,423,488)	(11,566,213)	(1,573,261)	22,344	(29,354,100)	(11,618,814)	290
Coffe	-	-	-	-	-	-	-	(460)	(8)
Euro	56	1	1	21	33	-	56	6,136	366
Treasury	964	964	-	-	-	-	964	-	-
Yen	2,812	2,812	-	-	-	-	2,812	-	-
Reais	75,643	52,583	219	837	3,332	18,672	75,643	389,574	13,529
BGI	(4,644)	-	(4,644)	-	-	-	(4,644)	-	-
<b>Total</b>	<b>(33,861,387)</b>	<b>(8,551,480)</b>	<b>(9,263,495)</b>	<b>(12,960,481)</b>	<b>(2,264,005)</b>	<b>(821,926)</b>	<b>(33,861,387)</b>	<b>(12,560,555)</b>	<b>20,802</b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 7 Loans, foreign exchange portfolio and lease operations

#### a. Composition of operations

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Loans - Public sector	180,238	157,597	180,238	157,597
Loans - Private sector	3,482,805	2,012,088	5,266,884	2,807,740
Financing - Private sector	3,362,061	2,440,631	14,512,984	10,932,780
Financing - Rural and agricultural-industrial	198,180	149,239	198,180	149,239
Financing - Securities	107,722	112,187	107,722	112,187
Lease operations - Public Sector	-	-	7,868	-
Lease operations - Private Sector	-	-	48,065	33,308
Sureties and guarantees honored	289	-	289	-
Advances on foreign exchange contracts and income receivable	<u>475,234</u>	<u>268,652</u>	<u>475,234</u>	<u>268,652</u>
Total	<u>7,806,529</u>	<u>5,140,394</u>	<u>20,757,464</u>	<u>14,461,503</u>

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

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Industry	4,194,562	2,355,257	4,195,514	2,356,090
Commercial	629,303	508,476	1,375,288	1,200,235
Rural	198,180	149,239	198,180	149,239
Other services	1,571,502	1,445,425	1,609,086	1,463,077
Government-owned	180,238	157,597	180,238	157,597
Financial institutions	78,285	13,172	82,193	16,862
Individuals	<u>954,459</u>	<u>511,228</u>	<u>13,116,965</u>	<u>9,118,403</u>
Total	<u>7,806,529</u>	<u>5,140,394</u>	<u>20,757,464</u>	<u>14,461,503</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### c. Composition of the loans portfolio by maturity dates

Maturity dates	Bank		Consolidated	
	2007	2006	2007	2006
<b>Loans overdue</b>				
More than 15 days	4,455	762	276,648	179,759
<b>Loans to fall due</b>				
Within 3 months	1,772,547	982,107	3,785,441	2,617,282
From 3 to 12 months	2,554,037	1,628,343	7,246,870	5,318,186
From 1 to 3 years	2,736,743	1,534,367	8,153,180	5,186,143
From 3 to 5 years	735,878	586,396	1,269,023	751,714
From 5 to 15 years	<u>2,869</u>	<u>408,419</u>	<u>26,302</u>	<u>408,419</u>
Total	<u>7,806,529</u>	<u>5,140,394</u>	<u>20,757,464</u>	<u>14,461,503</u>

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

Bank	2007			2006		
	Loans to Fall due	Loans overdue	Total operations	Loans to Fall due	Loans overdue	Total operations
AA	4,402,776	-	4,402,776	1,957,462	-	1,957,462
A	1,213,723	-	1,213,723	1,328,795	-	1,328,795
B	885,432	1,729	887,161	934,967	51,224	986,191
C	1,195,336	992	1,196,328	812,929	1,808	814,737
D	95,969	1,382	97,351	42,118	165	42,283
E	2,020	2,328	4,348	104	882	986
F	55	1,478	1,533	9,715	134	9,849
G	97	-	97	-	42	42
H	-	<u>3,212</u>	<u>3,212</u>	-	<u>49</u>	<u>49</u>
Total	<u>7,795,408</u>	<u>11,121</u>	<u>7,806,529</u>	<u>5,086,090</u>	<u>54,304</u>	<u>5,140,394</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Consolidated	2007			2006		
	Loans to Fall due	Loans overdue	Total operations	Loans to Fall due	Loans overdue	Total operations
AA	5,165,627	-	5,165,627	2,489,065	-	2,489,065
A	11,791,946	-	11,791,946	8,893,586	-	8,893,586
B	931,403	554,209	1,485,612	971,759	526,644	1,498,403
C	1,208,566	407,147	1,615,713	824,902	307,440	1,132,342
D	108,328	153,246	261,574	45,597	103,428	149,025
E	4,606	89,260	93,866	1,376	62,586	63,962
F	1,214	71,308	72,522	10,401	48,842	59,243
G	876	49,713	50,589	282	37,362	37,644
H	<u>4,923</u>	<u>215,092</u>	<u>220,015</u>	<u>1,821</u>	<u>136,412</u>	<u>138,233</u>
Total	<u>19,217,489</u>	<u>1,539,975</u>	<u>20,757,464</u>	<u>13,238,789</u>	<u>1,222,714</u>	<u>14,461,503</u>

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

Risk level	Provision %	Bank		Consolidated	
		2007	2006	2007	2006
A	0.5	6,069	6,644	67,069	53,582
B	1.0	8,872	9,862	14,856	14,984
C	3.0	35,890	24,442	48,471	33,970
D	10.0	9,735	4,228	26,157	14,903
E	30.0	1,304	296	28,160	19,189
F	50.0	766	4,925	36,261	29,622
G	70.0	68	29	35,412	26,350
H	100.0	<u>3,212</u>	<u>49</u>	<u>220,015</u>	<u>138,233</u>
Total		<u>65,916</u>	<u>50,475</u>	<u>476,401</u>	<u>330,833</u>

The credits recovered during the semester, which were recorded as recovery of credits written off as losses amounted to R\$ 45,996 (2006 - R\$ 11,629) in Consolidated. During the same period, a balance of R\$469,382 (2006 - R\$ 258,107) was recorded for Banco Votorantim S.A. and R\$537,056 (2006 - R\$ 334,908) in Consolidated for renegotiated operations.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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\$ 8,149 (2006 - R\$9,168), and which are presented mainly in risk level "A".

### *f. Movement on the allowance for loan losses*

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Opening balance</b>	67,696	34,197	430,867	218,195
Constitutions (reversals)	( 1,459)	16,398	230,398	191,835
Write off to losses	( 78)	( 1)	(184,621)	( 79,078)
Foreign exchange variation	( 243)	( 119)	( 243)	( 119)
<b>Closing balance</b>	<u>65,916</u>	<u>50,475</u>	<u>476,401</u>	<u>330,833</u>

### *g. Market value evaluation*

The financing portfolio of subsidiary BV Financeira S.A. was valued at market value, as determined by BACEN Resolution 3082/02. The aforesaid evaluation considers the respective hedge on the DI future market, reflecting the effects of interest rate variance on the financing portfolio, according to the flow of maturity of installments in contra account to adjustments occurring in the aforesaid derivatives market, measured monthly. On June 30, 2007, the valuation of these assets generated an unrealized positive adjustment in the amount of R\$ 162,822 (2006 - R\$5,147) and is presented in other receivables - other, in Consolidated.

### *h. Assignment of credits*

Portions of the financing portfolio of the subsidiary BV Financeira S.A. were assigned to BV Financeira Fundo de Investimento em Direitos Creditórios I and to BV Financeira Fundo de Investimento em Direitos Creditórios II in the amount of R\$ 816,389 (2006 - R\$ 3,386) in the first semester of 2007. The aforesaid assignment operations generated earnings of R\$ 47,865 (2006 - R\$ 8) and are presented in revenue from loan operations in Consolidated.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 8 Other receivables - Foreign exchange

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Unsettled foreign exchange purchased	1,374,001	794,438	1,374,001	794,438
Advances in foreign currency received	-	( 8,160)	-	( 8,160)
Rights from the sale of foreign exchange	989,528	94,420	989,528	94,420
Advances in domestic currency received	( 14,800)	( 3,262)	( 14,800)	( 3,262)
Income receivable from advances granted	<u>6,817</u>	<u>4,855</u>	<u>6,817</u>	<u>4,855</u>
Total	<u>2,355,546</u>	<u>882,291</u>	<u>2,355,546</u>	<u>882,291</u>

### 9 Other receivables - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Stock exchange - Margin	47,242	42,902	47,698	42,902
Clearing department	-	7,360	-	7,360
Debtors account settlement pending	74,699	23,994	102,268	40,169
Other	<u>60</u>	<u>49</u>	<u>60</u>	<u>49</u>
Total	<u>122,001</u>	<u>74,305</u>	<u>150,026</u>	<u>90,480</u>

### 10 Other receivables - Sundry

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Tax credits	93,102	281,862	369,111	434,686
Deposits in guarantee	4,490	3,959	8,917	7,529
Taxes and contributions to compensate	39,620	22,785	101,942	73,408
Options for fiscal incentives	13,271	8,983	28,224	13,423
Securities and credits receivable	-	-	162,822	5,147
Amount receivable for sale of securities	164,729	233,418	170,794	233,418
Other	<u>2,707</u>	<u>2,049</u>	<u>9,442</u>	<u>12,654</u>
Total	<u>317,919</u>	<u>553,056</u>	<u>851,252</u>	<u>780,265</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 11 Other assets - Prepaid expenses

	Bank		Consolidated	
	2007	2006	2007	2006
Commission paid to traders acting as intermediaries for operations	-	86	593,642	384,798
Credit life insurance	-	-	29,531	15,319
Debenture placements	-	-	4,829	2,555
Other	<u>1,564</u>	<u>2,154</u>	<u>13,107</u>	<u>4,488</u>
Total	<u>1,564</u>	<u>2,240</u>	<u>641,109</u>	<u>407,160</u>

### 12 Investments

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

	Number of quotas/ shares held	Investment interest - %	Shareholders' equity	Net profit (loss)	2007		2006	
					Result from Investment interest	Book value of investments	Result from investment interest	Book value of investments
BV Financeira S.A. - Crédito, Financiamento e Investimento	126,353	99.99	787,389	139,428	148,802	787,340	66,865	538,599
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	20,177	99.98	129,876	11,974	6,061	129,851	4,667	124,167
Votorantim Bank Limited	242,186	4.03	30,706	3,197	( 40)	1,239	( 223)	4,550
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	8,999,800	99.99	82,926	10,258	10,617	82,924	7,429	64,688
BV Leasing - Arrendamento Mercantil S.A.	510,398	99.99	1,188,489	47,870	298,069	1,188,474	32,439	633,000
Banco Votorantim Securities, Inc.	3,000,000	100.00	3,387	(1,239)	( 1,747)	<u>3,387</u>	<u>( 40)</u>	<u>6,308</u>
Total					<u>461,762</u>	<u>2,193,215</u>	<u>111,137</u>	<u>1,371,212</u>

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- i.** 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 its shareholding control. On April 13, 2007 the subsidiary recorded treasury shares in the amount of US\$ 31,290 (R\$ 63,303) and declared dividends in the amount of US\$ 9,253 (R\$ 18,720). In this manner, the investment was reduced on this date by R\$ 3,309, relating to the holding of 4.03% of the capital of the subsidiary. Votorantim Bank Limited received authorization from the Central Bank of the Bahamas for its transformation into a broker dealer.
- ii.** Banco Votorantim Securities, Inc. - The results of the equity interest refer mainly to recognition of the results from the investment, plus the effects of foreign currency variations on foreign currency investments.
- iii.** BV Leasing Arrendamento Mercantil S.A. - Equity in earnings (losses) of subsidiaries includes the adjustment recognized directly in shareholders' equity arising from recording in a capital reserve the premium received of R\$ 250,000, as established in the indenture of the 3<sup>rd</sup> Issue of debentures and as established in article 182 paragraph 1, item c, of Law 6404/76.
- iv.** Other Financial Institutions - The result from the equity interest refer to recognition of net profit plus the adjustments recognized directly to shareholders' equity.
- v.** On February 27, 2002, the Bank's overseas branch, located in Nassau - Bahamas, entered into operation. The balances of the equity accounts and statement of income from the operations of this Branch, which are consolidated in Banco Votorantim S.A. are the following: total assets R\$ 6,634,456 (2006 - R\$ 6,228,234), total liabilities R\$ 5,757,381 (2006 - R\$ 5,400,363), shareholders' equity R\$ 877,075 (2006 - R\$ 827,871) and income in the semester R\$ 47,960 (2006 - R\$ 17,426).

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### b. Other investments

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Certificate - Fiscal incentives	4,392	4,392	7,653	7,653
Membership certificate - BOVESPA	-	-	8,448	5,449
Membership certificate - BM&F	4,797	4,061	9,812	8,351
Membership certificate - CETIP	11	11	47	47
Shares	7,519	5,835	7,519	5,835
Other	<u>274</u>	<u>274</u>	<u>503</u>	<u>503</u>
Total	<u>16,993</u>	<u>14,573</u>	<u>33,982</u>	<u>27,838</u>

### 13 Fixed assets

<b>Bank</b>	<u>2007</u>			<u>2006</u>
	<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>	<b>Net</b>
Facilities	415	( 51)	364	406
Furniture and equipment for use	9,746	( 3,821)	5,925	3,864
Communication system	5,505	( 2,539)	2,966	2,590
Data processing system	22,265	(15,743)	6,522	4,567
Security system	472	( 360)	112	93
Transportation system	<u>1,918</u>	<u>( 877)</u>	<u>1,041</u>	<u>892</u>
Total	<u>40,321</u>	<u>(23,391)</u>	<u>16,930</u>	<u>12,412</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

Consolidated	2007			2006
	Cost	Depreciation	Net	Net
Facilities	3,708	( 1,113)	2,595	2,235
Furniture and equipment for use	18,929	( 6,258)	12,671	9,140
Communication system	13,613	( 4,959)	8,654	7,177
Data processing system	60,728	(33,158)	27,570	19,425
Security system	805	( 609)	196	182
Transportation system	<u>2,096</u>	<u>( 1,024)</u>	<u>1,072</u>	<u>943</u>
Total	<u>99,879</u>	<u>(47,121)</u>	<u>52,758</u>	<u>39,102</u>

### 14 Deferred charges

Bank	2007			2006
	Cost	Amortization	Net	Net
Leasehold expenditures	14,691	(8,425)	6,266	3,143

Consolidated	2007			2006
	Cost	Amortization	Net	Net
Leasehold expenditures	57,530	(29,612)	27,918	20,117
Expenditures acq. development of software	<u>1,652</u>	<u>-</u>	<u>1,652</u>	<u>446</u>
Total	<u>59,182</u>	<u>(29,612)</u>	<u>29,570</u>	<u>20,563</u>

### 15 Deposits

Represented, mainly, by time deposits of R\$ 16,533,257 (2006 - R\$ 18,568,080) funded at by Banco Votorantim S.A., maturing by March 2016, and R\$ 16,553,699 (2006 - R\$ 18,596,151) in Consolidated.

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### **16 Money market repurchase commitments**

The money market repurchase commitments, contracted from financial institutions, amounting to R\$ 18,498,834 (2006 - R\$ 12,791,101) for Banco Votorantim S.A., are tied to public and private securities. In Consolidated they amount to R\$ 17,860,802 (2006 - R\$ 12,450,651) and refer to these operations.

### **17 Acceptances and endorsements and liabilities from borrowings and repasses**

#### ***a. Liabilities from securities abroad - Bank and Consolidated***

The liabilities from acceptances and endorsements represent foreign and domestic currency funds, obtained from the issue of securities on the international market and overseas banks for repasses to domestic clients, maturing by January 2009, with financial charges of up to 17.10% per annum, plus foreign currency variation.

#### ***b. Debenture funds - Consolidated***

Represented by 933,358 non convertible debentures, from a public issue on December 8, 2006 issued in a single series and maturing on December 8, 2011.

With price-level restatement by the variation factor of the closing quotation of the U.S. dollar exchange rate for sale (ptax800) and conventional interest of 12.0436% per annum from the date of issuance until the date of maturity. At June 30, 2007 the respective debentures amount to R\$1,811,066.

#### ***c. Borrowings - Bank and Consolidated***

Represented by foreign currency funds, obtained by overseas and domestic banks, mainly for lending to clients, maturing by April 2010, with financial charges of up to 8.01% per annum, plus foreign currency or monetary variation, if post fixed.

#### ***d. Repasses - Bank and Consolidated***

Represented by funds provided by the National Economic and Social Development Bank - BNDES, through its Special Agency for Industrial Financing - FINAME, maturing by October 2023 with monetary correction (Long Term Interest Rate - TJLP and a basket of currencies) and financial charges of up to 13.95% per annum.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 18 Other liabilities - Foreign exchange

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Unsettled foreign exchange sold	988,938	93,769	988,938	93,769
Financed import – Exchange contracted	( 4,536)	( 330)	( 4,536)	( 330)
Obligations from the purchase of foreign currency	1,402,131	804,768	1,402,131	804,768
Advances against exchange contract	( 512,106)	(263,468)	( 512,106)	(263,468)
Total	<u>1,874,427</u>	<u>634,739</u>	<u>1,874,427</u>	<u>634,739</u>

### 19 Other liabilities - Social and statutory

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Dividends payable	155,865	126,600	163,902	139,230
Provision for profit sharing	33,564	22,787	104,013	74,784
Other	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>-</u>
Total	<u>195,929</u>	<u>149,387</u>	<u>274,415</u>	<u>214,014</u>

### 20 Other liabilities - Tax and social security

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Taxes and contributions on income payable	117,347	-	261,127	85,094
Taxes and contributions payable	318,391	225,491	479,182	292,643
Provision for deferred taxes and contributions	211,171	647,355	281,715	688,750
Provision for tax risks	<u>7,963</u>	<u>7,510</u>	<u>12,799</u>	<u>27,026</u>
Total	<u>654,872</u>	<u>880,356</u>	<u>1,034,823</u>	<u>1,093,513</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Clearing department	50,999	52,621	57,179	53,368
Creditors account settlement pending	24,749	2,005	37,540	16,798
Creditors for share loans	280,544	6,243	280,544	6,243
Other	<u>2,201</u>	<u>263</u>	<u>13,882</u>	<u>13,350</u>
Total	<u>358,493</u>	<u>61,132</u>	<u>389,145</u>	<u>89,759</u>

### 22 Other liabilities - Subordinated debts

On June 19, 2007, the first series debentures - 1<sup>st</sup> issue - were considered eligible to capital level II, in the capacity of subordinated debt. In conformity with BACEN Resolution 3444/07, this resource is added to the calculation for determination of the Reference Equity, for purposes of verification of compliance with the operating limits.

The first series is comprised of 135,000 debentures maturing on April 20, 2016, incurring financial charges referenced to the average rate for interbank deposits, plus 0.5% per year. The respective debentures amount to R\$ 1,381,468 (2006 - R\$ 1,388,756) on June 30, 2007. The first repricing will occur on April 20, 2011. In the balance sheet of June 30, 2006, these debentures are presented as acceptances and endorsements in Consolidated.

### 23 Other liabilities - Other

	<u>Bank</u>		<u>Consolidated</u>	
	2007	2006	2007	2006
Provision for personnel expenses	6,302	4,697	20,787	16,632
Provision other administrative expenses	7,128	10,191	17,491	14,791
Provision for contingent liabilities	437	501	42,186	18,102
Purchase of securities abroad	124,612	236,695	124,612	236,699
Unsettled swap	-	117,468	-	21,835
Agribusiness credit notes	216,337	-	216,337	-
Other	<u>1,319</u>	<u>13,591</u>	<u>58,566</u>	<u>38,307</u>
Total	<u>356,135</u>	<u>383,143</u>	<u>479,979</u>	<u>346,366</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 24 Shareholders' equity - Bank

#### a. Capital

The subscribed and paid in capital is represented by 74,126,202,673 (2006 - 66,983,345,530) ordinary shares with no par value.

#### b. Dividends

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

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

#### c. Prior year adjustments

In 2006, Management made an alteration in the calculation methodology of the market value evaluation of the financing portfolio of subsidiary BV Financeira S.A (see notes 7g and 33e). On account of the respective alteration, the amount of R\$ 379,600 was recorded in retained earnings.

### 25 Service fee income

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Credit facility rate	-	-	231,801	151,992
Administration of investment funds	-	-	32,916	20,733
Commissions and brokerage fees	289	-	11,093	8,299
Commissions on placing of securities	9,939	4,976	10,331	4,998
Services rendered associated companies	3,668	3,431	-	-
Income from guarantees provided	13,414	9,932	13,414	9,932
Other	<u>6,497</u>	<u>505</u>	<u>7,090</u>	<u>949</u>
Total	<u>33,807</u>	<u>18,844</u>	<u>306,645</u>	<u>196,903</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 26 Other operational income

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Reversal of operating provisions	-	-	54,088	2,672
Premium in the issuance of debentures	-	-	250,000	-
Other	<u>21,440</u>	<u>2,715</u>	<u>42,996</u>	<u>6,388</u>
Total	<u>21,440</u>	<u>2,715</u>	<u>347,084</u>	<u>9,060</u>

### 27 Other administrative expenses

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Rental	3,460	3,058	10,497	8,439
Communications	2,780	2,236	20,720	18,006
Maintenance of fixed assets	770	679	11,462	11,274
Data processing	13,460	8,210	31,222	25,340
Promotions and public relations	1,771	1,512	21,507	21,976
Advertising	1,292	319	3,989	2,344
Publications	540	1,627	862	1,950
Financial system services	2,083	1,128	23,258	14,157
Specialized technical services	9,626	4,562	62,984	24,926
Outsourced services	1,148	835	18,527	14,288
Amortization	1,164	443	5,201	3,168
Depreciation	1,931	1,782	5,371	4,543
Other	<u>6,095</u>	<u>4,921</u>	<u>68,344</u>	<u>46,896</u>
Total	<u>46,120</u>	<u>31,312</u>	<u>283,944</u>	<u>197,307</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 28 Other operational expenses

	Bank		Consolidated	
	2007	2006	2007	2006
Price-level restatement of liabilities	10,983	10,559	21,136	13,128
Exchange variance overseas investments	91,290	66,055	92,144	66,273
Commissions paid for acting as intermediary	-	-	312,846	220,678
Credit life insurance	-	-	13,150	5,918
Commercial agreements	-	-	4,919	2,215
Indemnities	-	-	2,580	1,277
Provision for contingent liabilities	224	108	16,162	5,938
Other	<u>15,388</u>	<u>9,884</u>	<u>28,842</u>	<u>28,631</u>
Total	<u>117,885</u>	<u>86,606</u>	<u>491,779</u>	<u>344,058</u>

### 29 Income tax and social contribution

#### *Bank*

#### *a. Charges due on operations*

	2007	2006
<b>Profit before income tax and social contribution</b>	<u>677,461</u>	<u>478,489</u>
Charges (income tax and social contribution) at the nominal rates of 25% and 9% respectively	<u>(230,337)</u>	<u>(162,688)</u>
<b>Exclusions/(additions)</b>	<u>112,412</u>	<u>162,688</u>
Nondeductible expenses	( 286)	1,323
Profit sharing	11,830	7,748
Tax loss and negative social contribution base	50,370	( 90,922)
Equity in income of subsidiary and exchange variation	142,267	(5,572)
Results of subsidiary and branch overseas	( 13,080)	( 5,971)
Non-taxable interest on securities	56,113	658

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	<b>2007</b>	<b>2006</b>
Interest on shareholders' equity	-	59,483
Allowance for loan losses	280	( 5,495)
Market adjustment Circulars 3068 and 3082	( 28,132)	( 12,611)
Derivatives - Law 11051	(107,270)	212,814
Other	<u>320</u>	<u>1,233</u>
<b>Current income tax and social contribution</b>	<u>(117,925)</u>	<u>-</u>
<b>Deferred income tax and social contribution</b>	<u>135,402</u>	<u>(200,203)</u>
<b>Total income tax and social contribution</b>	<u>17,477</u>	<u>(200,203)</u>

*b. Deferred income tax and social contribution affecting the results*

	<b>2007</b>	<b>2006</b>
<b>Deferred income tax and social contribution</b>		
Additions/(exclusions):		
Market adjustment Circulars 3068 and 3082	28,132	12,611
Derivatives - Law 11051	<u>107,270</u>	<u>(212,814)</u>
Total	<u>135,402</u>	<u>(200,203)</u>
<b>Tax credit</b>		
Additions/(exclusions):		
Allowance for loan losses	( 280)	5,495
Tax loss and negative social contribution base	<u>( 50,370)</u>	<u>90,922</u>
Total	<u>( 50,650)</u>	<u>96,417</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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

	<b>2007</b>	<b>2006</b>
<b>Asset (Other receivables - Other)</b>		
<b>Opening balance</b>	143,752	162,232
Allowance for loan losses	( 280)	5,495
Tax loss and negative social contribution base	( 50,370)	114,382
Overseas results	-	( 246)
Other	_____	(____)1
<b>Closing balance</b>	<u>93,102</u>	<u>281,862</u>
<b>Liabilities (Other liabilities - tax and social security)</b>		
<b>Opening balance</b>	346,573	423,938
Market adjustment Circulars 3068 and 3082	( 28,132)	( 12,611)
Derivatives - Law 11051	(107,270)	236,274
Overseas results	_____	(____)246
<b>Closing balance</b>	<u>211,171</u>	<u>647,355</u>

### d. Estimates of realization tax credit

	<b>Jun/08</b>	<b>Jun/09</b>	<b>Jun/10</b>	<b>Total</b>
Allowance for loan losses	12,865	1,841	7,708	22,414
Tax loss and negative social contribution base	<u>44,558</u>	<u>26,130</u>	_____	<u>70,688</u>
Total	<u>57,423</u>	<u>27,971</u>	<u>7,708</u>	<u>93,102</u>

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 terms of Resolution 3059/02, altered by Resolution 3355/07 of Central Bank of Brazil.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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

The deferred tax liabilities were recorded in accordance with legislation in force and refer to income that will be taxed when realized, arising from the difference between the accounting value and market values of securities and derivative financial instruments, the realization of which is forecast in subsequent periods. It also refers to income to be taxed when realized, in accordance with article 32 of Law 11051, according to the liquidation of the contract, assignment or conclusion of the position for operations on the derivative markets (Swap and Futures market).

### *Consolidated*

#### *a. Charges due on operations*

	<b>2007</b>	<b>2006</b>
<b>Profit before income tax and social contribution</b>	<u>858,902</u>	<u>558,298</u>
Charges (income tax and social contribution) at the nominal rates of 25% and 9% respectively	<u>(292,027)</u>	<u>(189,821)</u>
<b>Permanent exclusions/(additions)</b>	<u>30,324</u>	<u>104,727</u>
Non deductible expenses	( 286)	( 2,458)
Tax loss and negative social contribution base	50,370	( 92,136)
Profit sharing	35,957	25,423
Results of subsidiary and branch overseas	( 13,080)	( 5,971)
Non-taxable interest on securities	2,179	2,721
Interest on Securities abroad	55,587	-
Interest on shareholders' equity	-	86,309
Allowance for loan losses	( 4,573)	( 54,852)
Market adjustment Circulars 3068 and 3082	( 37,528)	(19,639)

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

	<b>2007</b>	<b>2006</b>
Provision for contingent liabilities	( 6,103)	( 1,094)
Additional depreciation	276	14
Derivatives - Law 11051	(123,392)	210,975
Other	<u>70,917</u>	<u>( 44,565)</u>
<b>Current income tax and social contribution</b>	<b>(261,703)</b>	<b>( 85,094)</b>
<b>Deferred income tax and social contribution</b>	<b><u>156,218</u></b>	<b><u>(200,917)</u></b>
<b>Total income tax and social contribution</b>	<b>(105,485)</b>	<b>(286,011)</b>

*b. Deferred income tax and social contribution affecting the results*

	<b>2007</b>	<b>2006</b>
<b>Deferred income tax and social contribution</b>		
<b>Additions/(exclusions):</b>		
Market adjustment Circulars 3068 and 3082	37,528	19,639
Additional depreciation	( 276)	( 14)
Derivatives - Law 11051	118,686	(220,542)
Other	<u>280</u>	<u>-</u>
Total	<b><u>156,218</u></b>	<b><u>(200,917)</u></b>
<b>Tax credit</b>		
<b>Additions/(exclusions):</b>		
Allowance for loan losses	4,573	54,852
Tax loss and negative social contribution base	( 50,370)	92,136
Provision for contingent liabilities	6,103	1,094
Unrealized results - Derivatives	4,706	-
Other	<u>( 278)</u>	<u>9,567</u>
Total	<b>( 35,266)</b>	<b><u>157,649</u></b>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

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

	<b>2007</b>	<b>2006</b>
<b>Assets (Other receivables - Other)</b>		
<b>Opening balance</b>	404,100	253,824
Allowance for loan losses	4,573	54,852
Tax loss and negative social contribution base	( 50,370)	115,596
Provision for contingent liabilities	6,103	1,094
Unrealized results - Derivatives	4,706	9,567
Overseas results	-	( 246)
Other	( 1)	( 1)
<b>Closing balance</b>	<u>369,111</u>	<u>434,686</u>
	<b>2007</b>	<b>2006</b>
<b>Liabilities (Other liabilities - Tax and social security)</b>		
<b>Opening balance</b>	437,653	464,618
Market adjustment Circulars 3068 and 3082	( 37,528)	( 19,639)
Additional depreciation	276	14
Overseas results	-	( 246)
Derivatives - Law 11051	(118,686)	244,002
Other	-	1
<b>Closing balance</b>	<u>281,715</u>	<u>688,750</u>

### d. Estimated realization of tax credit

	<b>Jun/08</b>	<b>Jun/09</b>	<b>Jun/10</b>	<b>Jun/12</b>	<b>Total</b>
Tax loss and negative social contribution base	44,558	26,130	-	-	70,688
Allowance for loan losses	153,833	38,956	7,708	-	200,497
Unrealized results - Derivatives	14,647	34,335	-	33,425	82,407
Provision for contingent liabilities	-	-	-	<u>15,519</u>	<u>15,519</u>
<b>Total</b>	<u>213,038</u>	<u>99,421</u>	<u>7,708</u>	<u>48,944</u>	<u>369,111</u>

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### 30 Related parties - Bank

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

	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Interbank deposits	13,193,859	9,208,819
Securities and derivative financial instruments	9,156,430	2,822,013
Dividends and bonuses receivable	2,633	4,210
Amounts receivable from related companies	633	609
<b>Liabilities</b>		
Demand deposits	2,493	1,720
Interbank deposits	13,616,492	4,130,031
Time deposits	5,950	5,253
Money market repurchase commitments	643,730	345,481
Derivative financial instruments	201,003	119,662
Other liabilities - Social and statutory	-	126,600
Due in connection with securities dealings	524	484
Other liabilities - Other	-	95,633
<b>Results</b>		
Money market income	48	1,717
Income from interbank deposits	692,970	624,883
Results from securities and derivative financial instruments	531,744	241,603
Service fee income	3,668	3,431
Expenses from interbank deposits	( 786,585)	( 52,224)
Expenses from time deposits	( 339)	( 567)
Repurchase commitments	( 28,946)	( 25,261)

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 31 Risk management

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

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

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

### 32 Provisions, liabilities and contingencies

Management, based on information from its legal advisors and analyses of pending legal demands has recorded a provision for an amount considered sufficient to cover losses estimated from the on-going claims.

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

The main tax issues are:

- **Income tax and social contribution** - Exclusion of net income from the IPC/BTNF difference that occurred in January of 1989;
- **COFINS** - Pleas non-payment of COFINS, with a basis on revenues not derived from the monthly turnover (expansion of the calculation basis introduced by law 9718/98);

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

- **PIS** - Challenging of the calculation basis introduced by EC 10/97;
- **ISS** - Challenging by the tax authorities (Subsidiary Votorantim Corretora de Títulos e Valores Mobiliários Ltda. and BV Leasing - Arrendamento Mercantil S.A.).

The provisions formed for tax issues, presented in Other Liabilities - Tax and social security, are:

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Taxes and contributions payable	292,905	195,182	429,693	243,595
Provision for fiscal risks	<u>7,963</u>	<u>7,510</u>	<u>12,799</u>	<u>27,026</u>
Total	<u>300,868</u>	<u>202,692</u>	<u>442,492</u>	<u>270,621</u>

During the semester R\$ 54,088 (2006 - none) of the provision formed on the tax treatment of CPMF was reverted, due to the jurisprudence of the matter and updating of the evaluations of the legal advisors vis-à-vis the current stage of the proceeding, in contra account to other operating income, in Consolidated.

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 June 30, 2007, the balance of the program is R\$ 10,743 (2006- R\$11,056). The Bank is complying with the conditions of the aforementioned program not only with respect to the payment of the installments but also with respect to the collection of the other taxes due monthly.

The sum of R\$16,459 (2006 - R\$5,988) was formed for the lawsuits involving tax issues, and is presented in other liabilities - Other.

The sum of R\$ 25,727 (2006 - R\$12,114) was formed for lawsuits involving civil issues, and is presented in other liabilities - Other.

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

### *Legal deposits*

The legal deposits are classified as “other receivables”.

	<u>Bank</u>		<u>Consolidated</u>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Tax	4,397	3,834	4,562	3,978
Civil	-	-	2,960	2,593
Labor	<u>59</u>	<u>55</u>	<u>1,361</u>	<u>865</u>
Total	<u>4,456</u>	<u>3,889</u>	<u>8,883</u>	<u>7,436</u>

### *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.

## **33 Other information**

- a. Personnel expenses include revenues, benefits, charges and employee training.
- b. Sureties and guarantees provided amount to R\$ 4,109,852 (2006 - R\$ 2,810,076) and have been recorded to memorandum accounts.
- c. Tax expenses refer, mainly, to Provisional Contribution on Financial Activity - CPMF, calculated at the rate of 0.38% on financial activity, to PIS - Social Integration Program, calculated at the rate of 0.65% and COFINS - Contributions for Social Security Financing, calculated at the rate of 4%, on operating income and ISS in Banco Votorantim S.A. and in Consolidated.
- d. Banco Votorantim S.A. calculates its minimum shareholders’ equity limits required upon Consolidated, within the parameters provided under Central Bank of Brazil Resolution 2099/94 to BACEN and subsequent rules. The ratio between shareholders’ equity calculated in Consolidated and total weighted assets is 15.34% (2006 - 15.72%).

# Banco Votorantim S.A.

## Notes to the financial statements

(In thousands of Reais)

- e. According to Note 15d to the financial statements of December 31, 2006, Management made an alteration in the calculation methodology of the market value evaluation of the financing portfolio of the subsidiary BV Financeira S.A. The main purpose of the respective alteration was to optimize the criterion of recognition, in income, of adjustments generated both by the market value evaluation of the portfolio (hedge subject) and by derivative financial instruments (hedge). Accordingly, the financial statements of June 30, 2006, presented in comparison with the financial statements of June 30, 2007, were modified to reflect the financial position with the impacts generated by the methodology deployed in the second half of the year 2006. We present below a summary of the alterations that occurred in the balance sheet and in the statement of income:

### **Bank**

	<b>Opening balance</b>	<b>Adjustments</b>	<b>Adjusted balance</b>
<b>Balance sheets</b>			
<b>Assets</b>			
Investments	1,887,074	(501,189)	1,385,885
<b>Shareholders' equity</b>			
Revenue reserves	1,591,457	(379,600)	1,211,857
Retained earnings	201,627	(121,589)	80,038
<b>Statement of income</b>			
Equity in earnings of subsidiaries	232,726	(121,589)	111,137
Net profit	473,506	(121,589)	351,917

### **Consolidated**

	<b>Opening balance</b>	<b>Adjustments</b>	<b>Adjusted balance</b>
<b>Balance sheets</b>			
<b>Assets</b>			
Other receivables - Other	1,539,643	(759,378)	780,265
<b>Liabilities</b>			
Other liabilities - Tax and social security	1,351,702	(258,189)	1,093,513

# Banco Votorantim S.A.

## Notes to the financial statements

*(In thousands of Reais)*

	<b>Opening balance</b>	<b>Adjustments</b>	<b>Adjusted balance</b>
<b>Shareholders' equity</b>			
Revenue reserves	1,591,457	(379,600)	1,211,857
Retained earnings	201,627	(121,589)	80,038
<b>Statement of income</b>			
Income from loan operations	1,762,867	(184,227)	1,578,640
Income tax and social contribution	( 191,000)	62,638	( 128,362)
Net profit	473,506	(121,589)	351,917