



Banco Votorantim S.A.

Financial statements
June 30, 2008 and 2007

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil prior to enactment of Law 11638)

Banco Votorantim S.A.

Notes to the financial statements

June 30, 2008 and 2007

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Independent auditors' report

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

1. 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, 2008 and 2007 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.
2. 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.
3. 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, 2008 and 2007, 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 prior to Law 11638/07 being enacted.



4. As reported in note 36c, on December 28, 2007, Law 11638 was enacted, effective as from January 01, 2008. This law altered, revoked and introduced new rulings to Law 6404/76 (Corporation Law) and resulted in changes to accounting practices adopted in Brazil. Although this law had come into force, some alterations introduced depend on regulation by the National Monetary Council and the Central Bank of Brazil before being fully applied by the institutions that are regulated by these bodies. Consequently, during this transition stage, the Central Bank of Brazil, through Communication 16.669, of March 20, 2008, permitted that the rulings in Law 11638/07 did not have to be applied during 2008, for the purpose of preparing the interim financial statements. Thus, the financial statements referred to in paragraph 1 were prepared in accordance with the specific instructions from the Central Bank of Brazil and do not include the alterations to the accounting practices introduced by Law 11638/07.

August 15, 2008

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

Banco Votorantim S.A.

Balance sheets

June 30, 2008 and 2007

(In thousands of Reals)

	Bank		Consolidated			Bank		Consolidated	
	2008	2007	2008	2007		2008	2007	2008	2007
Assets					Liabilities				
Current assets	69,855,861	62,570,449	52,349,319	48,485,303	Current Liabilities	45,796,498	36,531,810	39,550,679	36,027,198
Cash and cash equivalents	66,849	5,238	119,238	30,700	Deposits	14,217,331	11,933,961	13,395,028	11,499,516
Interbank funds applied	26,996,708	26,789,539	11,384,241	13,627,762	Demand deposits	71,274	76,232	80,030	88,647
Money market	10,133,969	11,059,031	10,133,969	11,059,031	Interbank deposits	2,587,157	1,462,204	1,722,537	1,021,294
Interbank deposits	16,807,149	15,702,516	1,194,682	2,540,739	Time deposits	11,551,928	10,393,736	11,585,652	10,387,786
Foreign currency deposits	55,590	27,992	55,590	27,992	Other deposits	6,972	1,789	6,809	1,789
Securities and derivative financial instruments	31,791,127	28,014,963	20,099,964	19,519,240	Money market repurchase commitments	21,663,665	13,427,642	15,941,816	12,789,610
Own portfolio	4,099,105	9,201,821	6,142,144	9,263,431	Own portfolio	14,847,150	7,894,766	9,312,147	7,256,734
Subject to repurchase commitments	18,201,657	12,791,883	5,318,268	4,201,902	Third party portfolio	5,789,781	4,149,025	5,602,935	4,149,025
Derivative financial instrument	2,263,809	1,103,673	1,395,073	1,093,437	Portfolio free movement	1,026,734	1,383,851	1,026,734	1,383,851
Deposited with the Central Bank	2,896,457	1,371,203	2,896,456	1,371,203	Acceptances and endorsements	242,286	298,369	242,286	298,369
Subject to guarantees provided	4,330,099	3,546,383	4,348,023	3,589,267	Liabilities from overseas securities	228,204	298,369	228,204	298,369
Interbank accounts	1,361,964	1,191,861	1,361,964	1,191,861	Funds from real estate notes	14,082	-	14,082	-
Collections in transit	1,072	545	1,072	545	Interbank accounts	10,188	9,668	10,188	9,668
Deposits with the Central Bank	1,359,652	1,177,427	1,359,652	1,177,427	Collections in transit	10,188	9,668	10,188	9,668
Interbank repasses	-	13,215	-	13,215	Interbranch accounts	44,611	40,358	45,505	41,472
Correspondents	1,240	674	1,240	674	Foreign payment order	44,611	40,358	44,611	40,358
Loans	7,496,660	3,817,084	15,902,790	10,476,481	Internal transfer of funds	-	-	894	1,114
Loans - Public sector	27,302	16,376	27,302	16,376	Borrowings and repasses	3,592,612	4,089,391	3,605,125	4,089,504
Loans - Private sector	3,911,487	2,192,569	5,041,276	3,096,239	Domestic repasses - Other institutions	50,004	-	50,004	-
Financing - Private sector	3,497,479	1,478,260	11,152,258	7,526,807	Overseas borrowings	1,991,800	1,827,816	1,991,800	1,827,816
Financing - Rural and Agricultural-Industrial	116,596	60,636	116,596	60,636	Domestic repasses - Official institutions	1,550,808	2,261,575	1,563,321	2,261,688
Financing - Securities	1,490	107,722	1,490	107,722	Derivative financial instruments	3,463,739	3,313,566	2,471,355	3,317,562
Allowance for loan losses	(57,694)	(38,479)	(436,132)	(331,299)	Derivative financial instruments	3,463,739	3,313,566	2,471,355	3,317,562
Lease operations	-	-	162,228	27,680	Other liabilities	2,562,066	3,418,855	3,839,376	3,981,497
Leases receivable - Private sector	-	-	5,520	3,520	Foreign exchange portfolio	1,159,552	1,874,427	1,159,552	1,874,427
Leases receivable - Public sector	-	-	241,659	55,899	Social and statutory	232,723	195,929	314,273	274,415
Unearned lease income	-	-	(76,986)	(23,300)	Tax and social security	664,256	634,315	1,388,113	968,273
Allowance for lease losses	-	-	(7,965)	(8,439)	Due in connection with securities dealings	154,892	358,486	161,577	389,138
Other receivables	2,137,377	2,750,211	2,943,535	3,184,272	Other	350,643	355,698	815,861	475,244
Guarantees honored	-	289	-	289	Long-term liabilities	32,687,806	28,026,019	27,541,898	18,361,101
Foreign exchange portfolio	1,797,933	2,355,546	1,797,933	2,355,546	Deposits	16,754,267	19,348,423	7,568,052	6,199,234
Income receivable	29,340	5,274	13,956	10,355	Interbank deposits	9,509,161	13,208,902	322,946	33,321
Securities clearing accounts	117,101	99,106	145,627	127,131	Time deposits	7,245,106	6,139,521	7,245,106	6,165,913
Other	206,798	298,062	999,814	699,017	Money market repurchase commitment	5,475,847	5,071,192	5,475,847	5,071,192
Allowance for doubtful receivable	(13,795)	(8,066)	(13,795)	(8,066)	Own portfolio	5,132,170	4,751,974	5,132,170	4,751,974
Other assets	5,176	1,553	375,359	427,307	Portfolio free movement	343,677	319,218	343,677	319,218
Other assets	-	-	47,384	33,291	Acceptances and endorsements	1,040,116	2,132,035	3,666,779	3,943,093
Prepayments	5,176	1,553	327,975	394,016	Funds from debentures	-	-	2,626,663	1,811,066
Long-term assets	12,136,305	5,359,926	21,001,687	11,422,012	Liabilities from overseas securities	1,040,116	2,132,035	1,040,116	2,132,027
Interbank funds applied	3,106,195	290,955	1,574,349	290,955	Borrowings and repasses	3,223,797	708,817	3,241,952	729,352
Interbank deposits	3,106,195	290,955	1,574,349	290,955	Domestic borrowings - Other institutions	50,241	-	50,241	-
Securities and derivative financial instruments	1,277,907	1,570,136	2,077,359	1,399,388	Overseas borrowings	1,460,557	283,805	1,460,557	283,805
Own portfolio	44,915	-	44,915	-	Domestic repasses - Official institutions	1,712,999	425,012	1,731,154	445,547
Derivative financial instruments	1,232,992	1,570,136	2,032,444	1,399,388	Derivative financial instruments	2,795,922	744,551	2,505,827	965,470
Loans	7,008,620	3,456,073	15,961,273	9,289,840	Derivative financial instruments	2,795,922	744,551	2,505,827	965,470
Loans - Public sector	155,687	163,862	155,687	163,862	Other liabilities	3,397,857	21,001	5,083,441	1,452,760
Loans - Private sector	4,377,159	1,290,236	5,432,729	2,130,645	Foreign exchange portfolio	801,874	-	801,874	-
Financing - Private sector	2,346,814	1,883,801	10,410,219	6,986,177	Tax and social security	7,492	20,557	10,291	66,550
Financing - Rural and Agricultural-Industrial	173,164	137,544	173,164	137,544	Due in connection with securities dealings	-	7	-	7
Allowance for loan losses	(44,204)	(19,370)	(210,526)	(128,388)	Subordinated debt	1,304,757	-	2,684,281	1,381,468
Lease operations	-	-	274,554	19,607	Other	1,283,734	437	1,586,995	4,735
Leases receivable - Private sector	-	-	2,176	4,348	Deferred income	16,356	6,571	16,356	6,571
Leases receivable - Public sector	-	-	483,307	52,107	Minority interest	-	-	27,198	29,376
Unearned lease income	-	-	(208,862)	(36,640)	Shareholders' equity	6,307,424	5,599,379	6,307,424	5,599,379
Allowance for lease losses	-	-	(2,067)	(208)	Capital:				
Other receivables	743,575	42,751	766,667	175,129	Domestic	3,380,000	3,380,000	3,380,000	3,380,000
Foreign exchange portfolio	705,484	-	705,484	-	Capital reserves	31,508	21,261	31,508	21,261
Securities clearing accounts	-	22,895	-	22,895	Revenue reserves	2,604,562	1,615,820	2,604,562	1,615,820
Other	38,091	19,857	61,183	152,235	Adjustments to market value - Securities and derivatives	(3,665)	-	(3,665)	-
Allowance for doubtful receivable	-	(1)	-	(1)	Retained earnings	295,019	582,298	295,019	582,298
Other assets	8	11	347,485	247,093	Total liabilities	84,808,084	70,163,779	73,443,555	60,023,625
Prepayments	8	11	347,485	247,093					
Permanent assets	2,815,918	2,233,404	92,549	116,310					
Investments	2,792,913	2,210,208	9,399	33,982					
Domestic subsidiaries and affiliates	2,782,476	2,188,589	-	-					
Investment in overseas subsidiary	5,562	4,626	-	-					
Other investments	4,875	16,993	9,399	33,982					
Fixed assets	17,551	16,930	54,576	52,758					
Other fixed assets for use	44,685	40,321	113,972	99,879					
Accumulated depreciation	(27,134)	(23,391)	(59,396)	(47,121)					
Deferred charges	5,454	6,266	28,574	29,570					
Organization and expansion expenses	16,960	14,691	70,435	59,182					
Accumulated amortization	(11,506)	(8,425)	(41,861)	(29,612)					
Total assets	84,808,084	70,163,779	73,443,555	60,023,625					

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of income

Semesters ended June 30, 2008 and 2007

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

	Bank		Consolidated	
	2008	2007	2008	2007
Financial operations income	3,915,469	3,688,989	4,729,200	3,964,489
Loans	134,290	237,362	2,184,153	1,997,466
Lease operations	-	-	60,515	14,076
Securities income	2,421,396	3,246,466	939,962	2,061,951
Derivative financial instruments	1,301,591	133,171	1,486,378	(180,994)
Compulsory investments	58,192	71,990	58,192	71,990
Financial operations expenses	(3,417,907)	(3,272,941)	(2,945,229)	(2,701,341)
Deposits, money market and interbank funds	(3,192,357)	(3,067,552)	(2,325,889)	(2,253,006)
Borrowings, assignments and repasses	9,483	(188,258)	8,094	(189,106)
Lease operations	-	-	(43,495)	(10,241)
Foreign exchange operations	(183,679)	(18,590)	(183,676)	(18,590)
Allowance for loan losses	(51,354)	1,459	(400,263)	(230,398)
Gross income from financial operations	497,562	416,048	1,783,971	1,263,148
Other operating income/(expenses)	170,731	261,413	(909,223)	(391,894)
Service fee income	45,655	33,807	360,194	306,645
Personnel expenses	(63,074)	(49,951)	(186,125)	(135,009)
Other administrative expenses	(66,032)	(46,120)	(376,734)	(283,944)
Tax expenses	(35,625)	(41,640)	(137,324)	(134,891)
Equity in earnings of subsidiaries	368,921	461,762	-	-
Other operational income	30,184	21,440	204,502	347,084
Other operational expenses	(109,298)	(117,885)	(773,736)	(491,779)
Operating results	668,293	677,461	874,748	871,254
Non operating results	27	-	(20,956)	(12,352)
Income before taxation and profit sharing	668,320	677,461	853,792	858,902
Income tax and social contribution	(22,176)	(33,173)	(125,075)	(140,751)
Provision for income tax	(27,171)	14,337	(256,046)	(75,268)
Provision for social contribution	(37,254)	3,140	(162,469)	(30,217)
Deferred income tax and social contribution	42,249	(50,650)	293,440	(35,266)
Profit sharing	(45,323)	(34,795)	(127,019)	(105,756)
Net profit before minority interest	600,821	609,493	601,698	612,395
Minority interest	-	-	(877)	(2,902)
Net profit for the semester	600,821	609,493	600,821	609,493
Net profit per lot of one thousand shares - R\$	8.10	8.22		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Semesters ended June 30, 2008 and 2007

(In thousands of Reais)

	Capital	Capital reserves	Revenue reserves		Adjustments to market value - Securities and derivatives	Retained earnings	Total
			Legal	Expansion			
Balances at December 31, 2006	3,380,000	15,357	200,459	1,384,887	-	53,279	5,033,982
Reversal of reserve	-	4,288	-	-	-	-	4,288
Fiscal incentives	-	1,616	-	-	-	-	1,616
Net profit for the semester	-	-	-	-	-	609,493	609,493
Distribution of net profit:							
Legal reserve	-	-	30,474	-	-	(30,474)	-
Distribution of dividends	-	-	-	-	-	(50,000)	(50,000)
Balances at June 30, 2007	<u>3,380,000</u>	<u>21,261</u>	<u>230,933</u>	<u>1,384,887</u>	<u>-</u>	<u>582,298</u>	<u>5,599,379</u>
Balances at December 31, 2007	3,380,000	21,426	258,643	2,340,392	-	3,279	6,003,740
Reserve for expansion	-	-	-	(24,473)	-	24,473	-
Prior year adjustments	-	-	-	-	-	(23,536)	(23,536)
Fiscal incentives	-	10,082	-	-	-	-	10,082
Adjustments to market values - securities and derivatives	-	-	-	-	(3,665)	-	(3,665)
Net profit for the semester	-	-	-	-	-	600,821	600,821
Distribution of net profit:							
Legal reserve	-	-	30,000	-	-	(30,000)	-
Distribution of dividends	-	-	-	-	-	(60,018)	(60,018)
Interest on own capital	-	-	-	-	-	(220,000)	(220,000)
Balances at June 30, 2008	<u>3,380,000</u>	<u>31,508</u>	<u>288,643</u>	<u>2,315,919</u>	<u>(3,665)</u>	<u>295,019</u>	<u>6,307,424</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in financial position

Semesters ended June 30, 2008 and 2007

(In thousands of Reais)

	Bank		Consolidated	
	2008	2007	2008	2007
Sources of funds	10,261,141	7,658,639	14,130,568	12,071,375
Net profit	600,821	609,493	600,821	609,493
Adjustments to net profit	(365,230)	(458,667)	12,696	10,572
Depreciation and amortization	3,691	3,095	12,696	10,572
Results from investments in subsidiaries	(368,921)	(461,762)	-	-
Prior year adjustments	(937)	-	(23,673)	-
Interests held by non controlling shareholders	-	-	(2,097)	(83,188)
Interest on own capital received	29,474	-	-	-
Variation in deferred income	5,156	(989)	5,156	(989)
Reserves	10,082	5,904	10,082	5,904
Capital reserve	10,082	5,904	10,082	5,904
Adjustment to market value - securities and derivatives	(3,665)	-	(3,665)	-
Third party funds originating from:	9,985,440	7,502,898	13,531,248	11,529,583
Increase in liabilities	7,943,626	4,361,881	9,694,883	5,771,705
Deposits	-	-	5,785,489	-
Money market repurchase commitments	3,011,206	1,625,799	-	1,442,272
Interbranch accounts	21,850	4,030	21,726	4,204
Interbank accounts	10,188	9,668	-	9,668
Borrowings and repasses	1,365,341	1,019,272	1,362,839	1,027,384
Derivative financial instruments	1,365,341	208,143	-	443,828
Other liabilities	2,169,700	1,494,969	2,524,829	2,844,349
Decrease in assets	2,041,141	3,134,800	3,836,304	5,757,640
Interbank funds applied	2,041,141	2,887,341	3,726,060	5,510,673
Interbank accounts	-	246,967	10,188	246,967
Other assets	-	492	100,056	-
Disposal of assets and investments	673	2,790	61	238
Investments	-	2,568	-	-
Fixed assets	673	222	61	238
Dividends	-	3,427	-	-
Application of funds	10,209,631	7,678,449	14,065,193	12,095,914
Distribution of dividends	60,018	50,000	60,018	50,000
Interest on own capital	220,000	-	220,000	-
Variation in:	5,552	8,742	13,359	26,979
Investments	1,385	1,616	1,196	3,139
Fixed assets	2,782	4,422	7,454	15,221
Deferred charges	1,385	2,704	4,709	8,619
Increase in assets	6,448,021	7,233,285	10,802,505	9,109,518
Securities and derivative financial instruments	547,603	4,280,879	2,075,887	3,756,707
Interbank accounts	355,863	-	355,863	-
Loans	3,996,645	1,505,238	6,248,339	3,761,108
Lease operations	-	-	377,395	10,094
Other receivables	1,545,488	1,447,168	1,745,021	1,413,421
Other assets	2,422	-	-	168,188
Decrease in liabilities	3,476,040	386,422	2,969,311	2,909,417
Deposits	2,657,820	100,500	-	1,942,532
Money market repurchase commitments	-	-	1,974,168	-
Acceptances and endorsements	818,220	285,922	913,731	966,885
Borrowings and repasses	-	-	81,412	-
Increase (decrease) in cash and cash equivalents	51,510	(19,810)	65,375	(24,539)
Statement of changes in net working capital				
Cash and cash equivalents				
At beginning of semester	15,339	25,048	53,863	55,239
At end of semester	66,849	5,238	119,238	30,700
Increase (decrease) in cash and cash equivalents	51,510	(19,810)	65,375	(24,539)

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Semesters ended June 30, 2008 and 2007

(In thousands of Reais)

1 Operations

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

The operations are undertaken within the context of a group of institutions that operate in an integrated manner on the financial market and these institutions co-participate or act as intermediaries of associated institutions, that are members of the financial system. The benefits of the services provided between these institutions and the costs of the administrative and operational structure are allocated on a practical and reasonable basis, as a whole or individually.

2 Presentation of the financial statements

The financial statements were prepared based on accounting guidelines derived from corporate law, prior to the enactment of Law 11638/07 (see Note 36c), together with the norms and instructions from the Central Bank of Brazil (BACEN).

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

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

	<u>Share</u>	
	2008	2007
Direct subsidiaries in Brazil		
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	99.98	99.98
Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.99	99.99
BV Financeira S.A. - Crédito, Financiamento e Investimento	99.99	99.99
BV Leasing - Arrendamento Mercantil S.A.	99.99	99.99
Direct subsidiaries overseas		
Votorantim Bank Limited	4.03	4.03
Banco Votorantim Securities Inc.	100.00	100.00

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

- a. Elimination of intercompany assets, liabilities, income and expenses balances between branches and its subsidiaries;
- b. Elimination of investment in the subsidiaries' capital, reserves and retained earnings;
- c. Preparation of the financial statements of the leasing company using the financial method, reclassification of leased fixed assets to the heading leasing operations, less the residual value received in advance;
- d. The accounting balances of direct overseas subsidiaries, which are prepared in accordance with international accounting standards (IFRS) were translated into reais, using the quotation for the North American dollar at the period end, and were adjusted according to the accounting guidelines derived from Corporate Law, prior to enactment of Law 11638, together with the norms and instructions from the Central Bank of Brazil (BACEN);
- e. The foreign exchange variation from transactions with branches and overseas related companies has been distributed between the headings in the statement of income, according to the respective assets and liabilities that gave rise to such.

3 Main accounting practices

a. Statement of income

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Interbank funds applied

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

c. Securities

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

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

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

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

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Notes to the financial statements

(In thousands of Reais)

d. Derivative financial instruments

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

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

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

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

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

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

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

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

f. Prepaid expenses

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

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Notes to the financial statements

(In thousands of Reais)

g. Accounting estimates

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

h. Permanent assets

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

i. Income tax and social contribution

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

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

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Notes to the financial statements

(In thousands of Reais)

j. Contingent assets and liabilities and legal obligations

Recognition, measurement and disclosure of contingent assets, contingent liabilities and legal obligations are made based on the criteria defined in Resolution 3535/2008 of Central Bank of Brazil, which made it compulsory to adopt NPC Statement 22, issued by the Institute of Independent Auditors in Brazil - Ibracon.

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

k. Other assets and liabilities

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

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

4 Cash and cash equivalents

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Bank deposits	1,325	864	53,358	25,885
Free reserves	3,640	-	3,640	-
Foreign currency cash and cash equivalents	61,555	3,875	61,795	4,215
Other	<u>329</u>	<u>499</u>	<u>445</u>	<u>600</u>
Total	<u>66,849</u>	<u>5,238</u>	<u>119,238</u>	<u>30,700</u>

5 Interbank funds applied

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Investments on the money market				
Banked position	3,288,701	5,592,340	3,288,701	5,592,340
Financed position	5,799,901	4,093,922	5,799,901	4,093,922
Sold position	1,045,367	1,372,769	1,045,367	1,372,769
Interbank deposits	19,913,344	15,993,471	2,769,031	2,831,694
Foreign currency investments	<u>55,590</u>	<u>27,992</u>	<u>55,590</u>	<u>27,992</u>
Total	<u>30,102,903</u>	<u>27,080,494</u>	<u>12,958,590</u>	<u>13,918,717</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

6 Securities

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

Bank	2008			2007		
	Cost	Market value (book)	Unrealized (loss) gain	Cost	Market value (book)	Unrealized (loss) gain
Trading securities						
Domestic	<u>25,460,834</u>	<u>25,405,844</u>	<u>(54,990)</u>	<u>22,427,513</u>	<u>22,640,529</u>	<u>213,016</u>
Financial Treasury Bill	41,787	41,801	14	57,141	57,137	(4)
National Treasury Bill	2,010,773	2,010,408	(365)	4,928,840	4,934,649	5,809
National Treasury Notes	7,966,085	7,917,804	(48,281)	4,667,102	4,777,635	110,533
Debentures	14,243,666	14,253,002	9,336	9,842,830	9,894,944	52,114
Agriculture debt titles	136,642	140,387	3,745	145,275	149,853	4,578
Shares in public stock corporations	659,047	636,014	(23,033)	387,999	425,369	37,370
Financial invest. Fund quotas	20,739	20,739	-	1,046,916	1,046,916	-
Credit right investment fund quotas	77,140	77,140	-	712,383	712,383	-
Rural Product Notes	289,392	289,392	-	25,549	25,549	-
Certificates of Bank Deposit	-	-	-	581,909	581,909	-
Promissory notes	-	-	-	16,763	16,763	-
Certificates of real estate receivables	15,563	19,157	3,594	14,806	17,422	2,616
Overseas	<u>4,209,926</u>	<u>4,121,474</u>	<u>(88,452)</u>	<u>3,863,233</u>	<u>3,904,336</u>	<u>41,103</u>
Certificates of overseas deposits	401,955	405,528	3,573	-	-	-
Eurobonds	1,447,602	1,408,576	(39,026)	1,100,654	1,100,654	-
Brazilian external debt titles	157,757	175,115	17,358	217,138	222,258	5,120
Other countries - External debt titles	<u>2,202,612</u>	<u>2,132,255</u>	<u>(70,357)</u>	<u>2,545,441</u>	<u>2,581,424</u>	<u>35,983</u>
Total	<u>29,670,760</u>	<u>29,527,318</u>	<u>(143,442)</u>	<u>26,290,746</u>	<u>26,544,865</u>	<u>254,119</u>

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Notes to the financial statements

(In thousands of Reais)

Bank	2008			2007		
	Cost	Market value (book)	Unrealized (loss) gain	Cost	Market value (book)	Unrealized (loss) gain
Securities available for sale						
Orveseas	<u>48,580</u>	<u>44,915</u>	<u>(3,665)</u>	---	---	---
Eurobonds	<u>48,580</u>	<u>44,915</u>	<u>(3,665)</u>	---	---	---
Consolidated	2008			2007		
	Cost	Market value (book)	Unrealized (loss) gain	Cost	Market value (book)	Unrealized (loss) gain
Trading securities						
Domestic	<u>14,583,539</u>	<u>14,551,618</u>	<u>(31,921)</u>	<u>13,870,156</u>	<u>14,116,680</u>	<u>246,524</u>
Financial treasury bill	43,263	43,278	15	57,926	57,922	(4)
National treasury bill	2,010,773	2,010,408	(365)	4,928,840	4,934,649	5,809
National treasury notes	8,065,466	8,039,756	(25,710)	4,802,952	4,946,992	144,040
Debentures	1,285,288	1,295,121	9,833	1,029,968	1,082,083	52,115
Agriculture debt titles	136,642	140,387	3,745	145,275	149,853	4,578
Shares in stock corporations	659,047	636,014	(23,033)	387,999	425,369	37,370
Financial investment fund quotas	1,187,630	1,187,630	-	1,050,237	1,050,237	-
Investment fund quotas - Credit rights	890,475	890,475	-	827,932	827,932	-
Rural Product Notes	289,392	289,392	-	25,549	25,549	-
Certificates of Bank Deposit	-	-	-	581,909	581,909	-
Promissory notes	-	-	-	16,763	16,763	-
Certificates of real estate receivables	15,563	19,157	3,594	14,806	17,422	2,616
Overseas	<u>4,241,764</u>	<u>4,153,273</u>	<u>(88,491)</u>	<u>3,901,595</u>	<u>3,942,698</u>	<u>41,103</u>
Certifications of overseas deposits	401,955	405,528	3,573			
Eurobonds	1,479,440	1,440,375	(39,065)	1,139,016	1,139,016	-
Brazilian external debt titles	157,757	175,115	17,358	217,138	222,258	5,120
Other countries - external debt titles	2,202,612	2,132,255	(70,357)	2,545,441	2,581,424	35,983
Total	<u>18,825,303</u>	<u>18,704,891</u>	<u>(120,412)</u>	<u>17,771,751</u>	<u>18,059,378</u>	<u>287,627</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2008			2007		
	Cost (book)	Market value	Unrealized (loss) gain	Cost (book)	Market value	Unrealized (loss) gain
Securities available for sale						
Overseas	<u>48,580</u>	<u>44,915</u>	<u>(3,665)</u>	—	—	—
Eurobonds	<u>48,580</u>	<u>44,915</u>	<u>(3,665)</u>	—	—	—
Bank and Consolidated	2008			2007		
	Cost (book)	Market value	Unrealized (loss) gain	Cost (book)	Market value	Unrealized (loss) gain
Securities held to maturity						
Overseas						
Eurobonds	—	—	—	<u>366,425</u>	<u>353,019</u>	<u>(13,406)</u>
Total	—	—	—	<u>366,425</u>	<u>353,019</u>	<u>(13,406)</u>

b. Composition of portfolio and maturity dates

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

Trading securities	Bank		Consolidated	
	2008	2007	2008	2007
Within 90 days	2,848,109	2,460,128	4,860,131	2,579,054
From 91 to 360 days	4,412,526	2,981,483	4,412,526	2,981,483
From 1 to 3 years	3,371,060	6,504,109	3,401,079	6,505,791
From 3 to 5 years	2,509,782	3,779,635	2,594,566	3,818,179
Over 5 years	<u>16,385,841</u>	<u>10,819,510</u>	<u>3,436,589</u>	<u>2,174,871</u>
Total	<u>29,527,318</u>	<u>26,544,865</u>	<u>18,704,891</u>	<u>18,059,378</u>

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Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2008	2007	2008	2007
Securities available for sale				
Over 5 years	<u>44,915</u>	—	<u>44,915</u>	—
Total	<u>44,915</u>	—	<u>44,915</u>	—
Securities held to maturity				
Within 90 days	-	111,342	-	111,342
From 91 to 360 days	—	<u>255,083</u>	—	<u>255,083</u>
Total	—	<u>366,425</u>	—	<u>366,425</u>

7 Derivative financial instruments

a. Composition of derivative financial instruments in equity accounts

	Bank		Consolidated	
	2008	2007	2008	2007
Assets				
Differential receivable from swap	2,570,738	2,298,267	2,501,454	2,117,283
Forward contracts	485,732	289,889	485,732	289,889
Purchase of purchase options - shares	3,270	21,686	3,270	21,686
Purchase of sale options - shares	-	4,840	-	4,840
Purchase of purchase options - fin. asset./merc.	86,233	50,798	86,233	50,798
Purchase of sale options - fin. asset./merc.	88,974	8,329	88,974	8,329
Other	<u>261,854</u>	—	<u>261,854</u>	—
Total	<u>3,496,801</u>	<u>2,673,809</u>	<u>3,427,517</u>	<u>2,492,825</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2008	2007	2008	2007
Liabilities				
Differential payable from swap	1,128,214	890,229	1,451,020	1,115,144
Forward contracts	472,409	308,755	472,409	308,755
Sale of purchase options - shares	3,722	45,686	3,722	45,686
Sale of sale options - shares	642	599	642	599
Sale of purchase options - fin. asset./merc.	69,411	12,377	69,411	12,377
Sale of sale options - fin. asset./merc.	165,517	10,440	165,517	10,440
Box of options	4,286,964	2,790,031	2,681,679	2,790,031
Other	<u>132,782</u>	<u>-</u>	<u>132,782</u>	<u>-</u>
Total	<u>6,259,661</u>	<u>4,058,117</u>	<u>4,977,182</u>	<u>4,283,032</u>

b. Composition of swap contracts by indexer

Bank	2008			2007		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Asset position	<u>28,099,057</u>	<u>30,514,789</u>	<u>30,427,930</u>	<u>28,221,515</u>	<u>30,562,427</u>	<u>30,496,712</u>
DI (Interbank deposits rates)	8,753,427	10,739,626	10,757,346	9,288,455	11,464,837	11,436,483
Dollar	8,419,765	8,341,282	8,367,618	8,964,372	8,698,245	8,585,416
Euro	43,055	43,374	42,379	58,473	53,351	53,324
IGPM - Inflation indexo	791,765	1,072,323	1,128,101	2,090,196	2,308,018	2,351,998
IPCA - Inflation indexo	539,370	653,112	656,994	359,640	412,949	423,094
Fixed rates	7,031,693	7,281,884	7,113,202	5,801,273	5,958,301	5,990,290
TRM - Referential index	30,000	34,774	34,509	30,000	31,219	31,663
Libor	939,921	943,050	940,499	1,180,740	1,189,055	1,179,133
Iene	912,969	856,357	844,433	444,566	442,408	441,294
Lira	545,787	549,007	541,521	3,800	4,044	4,017
Commodities	1,305	-	1,328	-	-	-
Liabilities position	<u>28,009,057</u>	<u>29,079,888</u>	<u>28,985,406</u>	<u>28,161,556</u>	<u>29,063,262</u>	<u>29,088,672</u>
DI (Interbank deposits rates)	8,653,229	9,323,147	9,355,469	9,085,991	9,757,903	9,766,862
Dollar	8,800,190	8,259,395	8,299,857	9,293,067	8,823,495	8,736,929
Euro	85,619	84,401	83,140	71,032	67,968	67,182
IGPM - Inflation indexo	1,092,533	1,442,188	1,494,125	2,314,830	2,631,621	2,680,726
IPCA - Inflation indexo	2,500,023	3,147,973	3,112,552	2,343,841	2,632,818	2,761,758
Prefixado	2,283,258	2,319,403	2,290,801	2,782,500	2,786,548	2,786,695
TRM - Referential index	175,903	216,885	217,009	184,000	203,872	209,764

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Notes to the financial statements

(In thousands of Reais)

Bank	2008			2007		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Libor	1,379,572	1,379,770	1,359,785	1,266,708	1,279,925	1,208,843
Iene	957,493	889,742	879,505	15,496	15,281	15,242
Lira	2,055,878	1,996,127	1,865,235	778,401	836,997	827,844
Commodities	11,553	5,735	12,806	-	-	-
TJLP	13,806	15,122	15,122	25,690	26,834	26,827
Total	<u>-</u>	<u>1,434,901</u>	<u>1,442,524</u>	<u>59,959</u>	<u>1,499,165</u>	<u>1,408,040</u>
Consolidated	2008			2007		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Asset position	<u>26,532,676</u>	<u>29,016,840</u>	<u>28,951,106</u>	<u>29,039,295</u>	<u>31,210,848</u>	<u>31,148,206</u>
DI (Interbank deposits rates)	8,040,018	10,056,185	10,073,079	8,631,006	10,699,272	10,670,987
Dollar	9,248,793	9,145,743	9,178,506	10,439,601	10,112,231	10,002,406
Euro	43,055	43,374	42,379	58,473	53,351	53,324
IGPM - Inflation index	791,765	1,072,323	1,128,101	2,090,196	2,308,018	2,351,998
IPCA - Inflation index	539,370	653,112	656,994	359,640	412,949	423,094
Fixed rates	5,439,693	5,662,915	5,509,757	5,801,273	5,958,301	5,990,290
TRM - Referential index	30,000	34,774	34,509	30,000	31,219	31,663
Libor	939,921	943,050	940,499	1,180,740	1,189,055	1,179,133
Iene	912,969	856,357	844,433	444,566	442,408	441,294
Lira	545,787	549,007	541,521	3,800	4,044	4,017
Commodities	1,305	-	1,328	-	-	-
Liability position	<u>26,532,676</u>	<u>28,004,439</u>	<u>27,900,672</u>	<u>28,979,335</u>	<u>30,112,227</u>	<u>30,146,065</u>
DI (Interbank deposits rates)	7,890,257	8,870,311	8,885,715	10,561,219	11,400,454	11,409,413
Dollar	8,086,781	7,636,782	7,684,877	8,639,981	8,237,526	8,159,422
Euro	85,619	84,401	83,140	71,032	67,968	67,182
IGPM - Inflation index	1,092,533	1,442,188	1,494,125	2,314,830	2,631,621	2,680,726
IPCA - Inflation index	2,500,023	3,147,973	3,112,552	2,343,841	2,632,818	2,761,758
Prefixado	2,283,258	2,319,403	2,290,801	2,778,137	2,778,931	2,779,044
TRM - Referential index	175,903	216,885	217,009	184,000	203,872	209,764
Libor	1,379,572	1,379,770	1,359,785	1,266,708	1,279,925	1,208,843
Iene	957,493	889,742	879,505	15,496	15,281	15,242
Lira	2,055,878	1,996,127	1,865,235	778,401	836,997	827,844
Commodities	10,516	5,735	12,806	-	-	-
TJLP	13,806	15,122	15,122	25,690	26,834	26,827
Total	<u>-</u>	<u>1,012,401</u>	<u>1,050,434</u>	<u>59,960</u>	<u>1,098,621</u>	<u>1,002,141</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Composition of term contracts by type

	Bank		Consolidated	
	2008	2007	2008	2007
Asset position	<u>485,732</u>	<u>289,889</u>	<u>485,732</u>	<u>289,889</u>
Purchase commitment - Shares	-	20,925	-	20,925
Sales commitment - Shares	485,732	268,964	485,732	268,964
Liability position	<u>472,409</u>	<u>308,755</u>	<u>472,409</u>	<u>308,755</u>
Purchase commitment - Shares	-	18,376	-	18,376
Sales commitment - Shares	472,409	290,379	472,409	290,379

d. Composition of futures contracts by indexer

	Bank		Consolidated	
	2008	2007	2008	2007
Purchase commitment	<u>7,216,826</u>	<u>12,971,272</u>	<u>7,216,826</u>	<u>12,971,272</u>
DDI (DI x Dollar spread future contract)	2,852,075	2,954,508	2,852,075	2,954,508
Euro	7,423	-	7,423	-
Dollar	597,061	709,760	597,061	709,760
DI	3,102,596	8,009,176	3,102,596	8,009,176
Reais	651,087	654,908	651,087	654,908
T-Note	-	297,951	-	297,951
Index	6,584	344,969	6,584	344,969
Sales commitment	<u>29,638,369</u>	<u>12,864,660</u>	<u>49,124,599</u>	<u>27,472,773</u>
DDI (DI x Dollar spread future contract)	6,352,870	2,954,508	6,352,870	2,954,508
Dollar	3,386,761	709,760	3,386,761	709,760
Euro	46,584	330,369	46,584	330,369
Reais	707,600	38,524	707,600	38,524
DI	18,014,987	8,009,176	37,501,217	22,617,289
T-Note	763,105	417,932	763,105	417,932
Index	-	344,969	-	344,969
Iene	366,462	59,422	366,462	59,422

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

e. Composition of option contracts by indexer

Bank and consolidated	2008		2007	
	Contracted value	Market value (book)	Contracted value	Market value (book)
Shares	(202,241)	(1,093)	(3,283)	31,323
Dollar	(315,275)	(92,078)	65,012	9,152
Br Exit	-	-	64,417	(496)
DI	806,560	(232)	(906,200)	576
ADR´s	28,869	(363)	-	-
Commodities	60,619	2,453	-	-
Flexible	<u>451,905</u>	<u>30,500</u>	<u>59,812</u>	<u>622</u>
Total	<u>830,437</u>	<u>(60,813)</u>	<u>720,242</u>	<u>41,177</u>

f. Composition of derivative financial instruments by maturity dates

Asset accounts	Bank		Consolidated	
	2008	2007	2008	2007
Within 90 days	595,560	20,981	589,828	21,073
From 91 a 360 days	391,054	438,979	520,433	424,654
From 1 a 3 years	323,208	880,841	212,722	634,671
From 3 a 5 years	118,990	125,033	(287,526)	(30,955)
Over 5 years	<u>13,712</u>	<u>(57,794)</u>	<u>14,977</u>	<u>(47,302)</u>
Total	<u>1,442,524</u>	<u>1,408,040</u>	<u>1,050,434</u>	<u>1,002,141</u>

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

Public securities	Bank		Consolidated	
	2008	2007	2008	2007
National treasury notes	2,187,256	9,422	2,204,054	51,200
National treasury bill	1,872	325,599	1,872	325,599
Financial treasury bill	-	<u>1,428,616</u>	-	<u>1,428,616</u>
Total	<u>2,189,128</u>	<u>1,763,637</u>	<u>2,205,926</u>	<u>1,805,415</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

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

a. Composition of operations by type

	Bank		Consolidated	
	2008	2007	2008	2007
Advances to deposit holders	1,021	735	1,021	735
Borrowings	8,061,259	3,308,606	8,061,259	3,308,606
Discounted bills	13,053	19,924	13,053	19,924
Guaranteed account	125,662	77,726	125,662	77,726
Credit cards	-	-	11,130	17
Personal credit	-	-	2,174,229	1,744,007
Direct consumer credit	-	-	15,718,185	11,150,923
Compror	270,640	256,051	270,640	256,051
Financing Rural and agricultural-industrial	289,760	198,180	289,760	198,180
Financing for securities	1,490	107,722	1,490	107,722
Financing for infrastructure and development	2,956,191	2,512,712	2,956,191	2,512,712
Financing for exports	2,657,648	776,951	2,657,648	776,951
Other	<u>230,454</u>	<u>72,399</u>	<u>230,454</u>	<u>72,399</u>
Subtotal	<u>14,607,178</u>	<u>7,331,006</u>	<u>32,510,722</u>	<u>20,225,953</u>
Lease operations	-	-	453,968	55,934
Advances on foreign exchange/export contracts (*)	746,015	468,706	746,015	468,706
Other receivables (**)	<u>14,968</u>	<u>6,817</u>	<u>14,968</u>	<u>6,817</u>
Total loans	<u>15,368,161</u>	<u>7,806,529</u>	<u>33,725,674</u>	<u>20,757,410</u>
Sureties and guarantees (***)	<u>6,141,963</u>	<u>4,109,852</u>	<u>6,141,963</u>	<u>4,109,852</u>
Total	<u>21,510,124</u>	<u>11,916,381</u>	<u>39,867,637</u>	<u>24,867,262</u>

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

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

(***) Recorded to memorandum accounts.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Composition of operations by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Loans overdue				
More than 15 days	31,800	4,455	351,525	276,648
Loans to fall due				
Within 90 days	2,286,597	1,772,547	4,807,677	3,785,441
From 91 to 360 days	4,431,967	2,554,037	10,471,636	7,246,870
From 1 to 3 years	6,484,868	2,736,743	14,510,763	8,153,180
From 3 to 5 years	2,039,725	735,878	3,461,037	1,269,023
Over 5 years	<u>93,204</u>	<u>2,869</u>	<u>123,036</u>	<u>26,248</u>
Total	<u>15,368,161</u>	<u>7,806,529</u>	<u>33,725,674</u>	<u>20,757,410</u>

c. Concentration of operations

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Ten largest debtors	4,615,861	2,071,444	4,648,725	2,089,026
Fifty largest debtors	4,544,297	2,908,734	4,583,330	2,939,294
One hundred largest debtors	2,775,482	1,529,978	2,816,738	1,561,849
Other debtors	<u>3,432,521</u>	<u>1,296,373</u>	<u>21,676,881</u>	<u>14,167,241</u>
Total	<u>15,368,161</u>	<u>7,806,529</u>	<u>33,725,674</u>	<u>20,757,410</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

d. Composition of operations by economic activity sector

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Corporate entities	<u>13,184,064</u>	<u>6,852,070</u>	<u>14,099,777</u>	<u>7,640,502</u>
Public sector				
State	182,989	180,238	182,989	180,238
Financial institutions	-	-	2,480	-
Private sector				
Industry	8,096,112	4,194,562	8,177,599	4,195,515
Commercial	1,669,596	629,303	2,431,934	1,375,289
Rural	289,760	198,180	289,760	198,180
Services	2,408,424	1,571,502	2,477,811	1,609,087
Financial institutions	537,183	78,285	537,204	82,193
Individuals	<u>2,184,097</u>	<u>954,459</u>	<u>19,625,897</u>	<u>13,116,908</u>
Total	<u>15,368,161</u>	<u>7,806,529</u>	<u>33,725,674</u>	<u>20,757,410</u>

e. Composition of operations at the corresponding risk levels

Bank	<u>2008</u>			<u>2007</u>		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	6,971,245	-	6,971,245	4,402,776	-	4,402,776
A	3,761,212	-	3,761,212	1,213,723	-	1,213,723
B	3,919,979	4,510	3,924,489	885,432	1,729	887,161
C	597,369	9,134	606,503	1,195,336	992	1,196,328
D	65,250	1,234	66,484	95,969	1,382	97,351
E	50	471	521	2,020	2,328	4,348
F	29	459	488	55	1,478	1,533
G	6,230	9,841	16,071	97	-	97
H	<u>51</u>	<u>21,097</u>	<u>21,148</u>	<u>-</u>	<u>3,212</u>	<u>3,212</u>
Total	<u>15,321,415</u>	<u>46,746</u>	<u>15,368,161</u>	<u>7,795,408</u>	<u>11,121</u>	<u>7,806,529</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated Risk level	2008			2007		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	8,001,948	-	8,001,948	5,165,588	-	5,165,588
A	19,097,479	-	19,097,479	11,791,948	-	11,791,948
B	3,998,868	693,553	4,692,421	931,403	554,209	1,485,612
C	642,044	421,169	1,063,213	1,208,551	407,147	1,615,698
D	83,788	180,077	263,865	108,328	153,246	261,574
E	7,768	101,468	109,236	4,606	89,260	93,866
F	5,201	80,922	86,123	1,214	71,307	72,521
G	10,115	71,754	81,869	876	49,712	50,588
H	<u>21,752</u>	<u>307,768</u>	<u>329,520</u>	<u>4,923</u>	<u>215,092</u>	<u>220,015</u>
Total	<u>31,868,963</u>	<u>1,856,711</u>	<u>33,725,674</u>	<u>19,217,437</u>	<u>1,539,973</u>	<u>20,757,410</u>

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

Risk level	Provision %	Bank		Consolidated	
		2008	2007	2008	2007
A	0.5	18,806	6,069	95,447	58,920
B	1.0	39,245	8,872	46,924	14,857
C	3.0	18,196	35,890	31,897	48,471
D	10.0	6,648	9,735	26,385	26,157
E	30.0	156	1,304	32,771	28,159
F	50.0	244	766	43,062	36,260
G	70.0	11,250	68	57,308	35,412
H	100.0	<u>21,148</u>	<u>3,212</u>	<u>329,520</u>	<u>220,015</u>
Subtotal		<u>115,693</u>	<u>65,916</u>	<u>663,314</u>	<u>468,251</u>
Complementary provision (*)		-	-	<u>7,172</u>	<u>8,149</u>
Total		<u>115,693</u>	<u>65,916</u>	<u>670,486</u>	<u>476,400</u>
Percentage of portfolio		<u>0.75%</u>	<u>0.84%</u>	<u>3.61%</u>	<u>2.26%</u>

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

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Notes to the financial statements

(In thousands of Reais)

g. Movement on the allowance for loan losses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Opening balance	67,171	67,696	565,602	430,866
Constitutions/(Reversals)	51,354	(1,459)	400,263	230,398
Write off to losses	(2,602)	(78)	(295,149)	(184,621)
Foreign exchange variation on overseas provisions	(230)	(243)	(230)	(243)
Closing balance	<u>115,693</u>	<u>65,916</u>	<u>670,486</u>	<u>476,400</u>

h. Additional information

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Credits renegotiated during the period	1,542,060	837,928	1,643,643	936,483
Credits recovered during the period previously written off as losses (*)	-	-	76,788	45,723
Credits granted during the period (**)	-	-	1,009,463	736,969

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

(**) Assignments were made from the financing portfolio belonging to the subsidiary BV Financeira S.A. to BV Financeira Fundo de Investimento em Direitos Creditórios I and to BV Financeira Fundo de Investimento em Direitos Creditórios II. The value of the credits assigned amounted to R\$1,093,049 (2007 - R\$ 816,389).

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Notes to the financial statements

(In thousands of Reais)

9 Other receivables - Foreign exchange portfolio

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Unsettled foreign exchange purchased	1,725,567	1,374,001	1,725,567	1,374,001
Rights from the sale of foreign exchange	800,696	989,528	800,696	989,528
Advances in domestic currency received	(37,815)	(14,800)	(37,815)	(14,800)
Income receivable from advances granted	14,764	6,817	14,764	6,817
Income receivable from financed imports	173	-	173	-
Expenses to appropriate from advances received	<u>32</u>	<u>-</u>	<u>32</u>	<u>-</u>
Total	<u>2,503,417</u>	<u>2,355,546</u>	<u>2,503,417</u>	<u>2,355,546</u>

10 Other receivables - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Clearing department	23,700	47,242	23,700	47,698
Debtors account settlement pending	93,401	74,699	120,706	102,268
Other	<u>-</u>	<u>60</u>	<u>1,221</u>	<u>60</u>
Total	<u>117,101</u>	<u>122,001</u>	<u>145,627</u>	<u>150,026</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

11 Others receivables - Sundry

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Advances on salaries and vacation	2,095	1,525	6,208	4,616
Tax credits	92,358	93,102	689,033	369,111
Deposits in guarantee	7,238	4,490	15,843	8,917
Taxes and contributions to compensate	52,085	39,620	143,673	101,942
Options for fiscal incentives	23,353	13,271	45,618	28,224
Receivable from associated companies	815	-	-	-
Securities and credits receivable	4,649	-	11,804	-
Market value adjustment - Loans	-	-	-	162,822
Receivable from sale of securities overseas	61,744	164,729	61,744	170,794
Other debtors - Domestic	154	-	77,625	-
Other	<u>398</u>	<u>1,182</u>	<u>8,083</u>	<u>4,826</u>
Total	<u>244,889</u>	<u>317,919</u>	<u>1,059,631</u>	<u>851,252</u>

12 Other assets - Prepaid expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Commission paid to traders acting as intermediaries for operations	-	-	638,847	593,864
Debenture placements	-	-	3,859	4,625
Other	<u>5,184</u>	<u>1,564</u>	<u>32,754</u>	<u>42,620</u>
Total	<u>5,184</u>	<u>1,564</u>	<u>675,460</u>	<u>641,109</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

13 Investments

a. Interest in subsidiaries in the country and abroad

	Movements for the subsidiary							Movements for Parent			
	Number of shares/quotas at 12/31/07	Capital at 12/31/07	Shareholders equity at 12/31/07	Income/ (loss) for the period	Dividends/ interest on own capital paid/ proposed	Adjustments directly to shareholders' equity	Shareholders' equity at 06/30/08	Number of shares/quotas held	Equity in earnings of subsidiaries	Book value at 06/30/08	Book value at 06/30/07
Domestic										<u>2.781.664</u>	<u>2.193.215</u>
Votorantim CTVM Ltda.	20,181	59,250	210,131	10,895	-	5,169	226,195	20,177	16,060	226,150	129,851
Votorantim Asset Manag. DTVM Ltda.	9,000,000	9,000	97,630	13,028	-	656	111,314	8,999,800	13,684	111,312	82,924
BV Financeira S.A.	126,361	342,000	959,563	312,739	(29,476)	(22,736)	1,220,090	126,353	312,735	1,220,012	787,340
BV Leasing Arred. Merc. S.A.	510,404	996,200	1,199,848	23,701	-	1,469	1,225,018	510,398	25,170	1,225,003	1,188,474
Foreign										<u>5.561</u>	<u>4.626</u>
Votorantim Bank Limited	24,785,984	88,279	30,403	873	-	(3,080)	28,196	1,000,000	(1,697)	1,137	1,239
Banco Votorantim Securities, Inc.	3,000,000	6,414	1,963	2,650	-	(188)	4,425	3,000,000	2,969	4,424	3,387

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Notes to the financial statements

(In thousands of Reais)

b. Other investments

	Bank		Consolidated	
	2008	2007	2008	2007
Investments in fiscal incentives	4,392	4,392	7,652	7,653
Membership certificates - BOVESPA	-	-	-	8,448
Membership certificates - BM&F	-	4,797	-	9,812
Membership certificates - CETIP	12	12	47	47
Membership certificates - Other	-	-	175	-
Shares and quotas	198	7,519	801	7,519
Other	<u>273</u>	<u>273</u>	<u>724</u>	<u>503</u>
Total	<u>4,875</u>	<u>16,993</u>	<u>9,399</u>	<u>33,982</u>

14 Fixed assets

Bank	2008			2007
	Cost	Depreciation	Net	Net
Facilities	415	(92)	323	364
Furniture and equipment for use	11,589	(4,699)	6,890	5,925
Communication system	5,896	(2,954)	2,942	2,966
Data processing system	24,446	(18,085)	6,361	6,522
Security system	550	(379)	171	112
Transportation system	<u>1,789</u>	<u>(925)</u>	<u>864</u>	<u>1,041</u>
Total	<u>44,685</u>	<u>(27,134)</u>	<u>17,551</u>	<u>16,930</u>
Consolidated	2008			2007
	Cost	Depreciation	Net	Net
Facilities	4,015	(1,504)	2,511	2,595
Furniture and equipment for use	22,762	(8,147)	14,615	12,671
Communication system	14,664	(6,122)	8,542	8,654
Data processing system	69,495	(41,880)	27,615	27,570
Security system	884	(656)	228	196
Transportation system	<u>2,152</u>	<u>(1,087)</u>	<u>1,065</u>	<u>1,072</u>
Total	<u>113,972</u>	<u>(59,396)</u>	<u>54,576</u>	<u>52,758</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

15 Deferred charges

Bank	2008			2007
	Cost	Amortization	Net	Net
Leasehold expenditures	<u>16,960</u>	<u>(11,506)</u>	<u>5,454</u>	<u>6,266</u>
Consolidated	2008			2007
	Cost	Amortization	Net	Net
Leasehold expenditures	67,157	(41,497)	25,660	27,918
Expenditures acq. development of software	<u>3,278</u>	<u>(364)</u>	<u>2,914</u>	<u>1,652</u>
Total	<u>70,435</u>	<u>(41,861)</u>	<u>28,574</u>	<u>29,570</u>

16 Deposits

a. Composition of the portfolio by type and counterparty

	Bank		Consolidated	
	2008	2007	2008	2007
Demand deposits	71,274	76,232	80,030	88,647
Time deposits	18,797,034	16,533,256	18,830,758	16,553,698
Interbank deposits	12,096,318	14,671,106	2,045,483	1,054,615
Deposits for investments	<u>6,972</u>	<u>1,789</u>	<u>6,809</u>	<u>1,789</u>
Total	<u>30,971,598</u>	<u>31,282,383</u>	<u>20,963,080</u>	<u>17,698,747</u>

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Notes to the financial statements

(In thousands of Reais)

b. Composition of the portfolio by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Without due dates	71,274	76,232	80,030	88,647
Within 90 days	4,352,805	3,114,791	4,271,122	2,673,881
From 91 to 360 days	9,793,252	8,742,938	9,043,877	8,736,985
From 1 to 3 years	12,489,968	6,923,193	6,921,191	5,915,310
From 3 to 5 years	3,614,339	3,606,636	639,512	184,239
Over 5 years	<u>649,960</u>	<u>8,818,593</u>	<u>7,348</u>	<u>99,685</u>
Total	<u>30,971,598</u>	<u>31,282,383</u>	<u>20,963,080</u>	<u>17,698,747</u>

17 Money market repurchase commitments

a. Composition of the portfolio by counterparty

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
From related parties	5,596,649	361,968	-	-
From non related parties	<u>21,542,863</u>	<u>18,136,866</u>	<u>21,417,663</u>	<u>17,860,802</u>
Total	<u>27,139,512</u>	<u>18,498,834</u>	<u>21,417,663</u>	<u>17,860,802</u>

b. Composition of the portfolio by maturity dates

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Within 90 days	14,119,322	10,767,399	10,815,829	10,129,367
From 91 to 360 days	7,544,343	2,660,243	5,125,987	2,660,243
From 1 to 3 years	4,833,454	4,751,371	5,077,927	4,751,371
From 3 to 5 years	298,715	-	54,242	-
Over 5 years	<u>343,678</u>	<u>319,821</u>	<u>343,678</u>	<u>319,821</u>
Total	<u>27,139,512</u>	<u>18,498,834</u>	<u>21,417,663</u>	<u>17,860,802</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

18 Acceptances and endorsements

a. Composition of the portfolio by type

	Correction rates	Bank		Consolidated	
		2008	2007	2008	2007
Debentures					
With exchange rate variation	Dollar (PTAX) + 12.0436% p.a.	-	-	1,511,604	1,811,066
Post-fixed	DI+ 0.35% p.a.	-	-	1,115,059	-
Funds from real estate credit notes		14,082	-	14,082	-
Obligations from overseas securities					
With exchange rate variation	(Dollar PTAX) plus up to 14.28% p.a.	<u>1,268,320</u>	<u>2,430,404</u>	<u>1,268,320</u>	<u>2,430,396</u>
Total		<u>1,282,402</u>	<u>2,430,404</u>	<u>3,909,065</u>	<u>4,241,462</u>

19 Borrowing and repasses

a. Composition of the portfolio by type

	Bank		Consolidated	
	2008	2007	2008	2007
Domestic repasses				
With exchange rate variation	100,245	-	100,245	-
Overseas repasses				
With exchange rate variation	3,452,357	2,111,621	3,452,357	2,111,621
Domestic repasses - BNDES				
Post-fixed	2,190,518	1,844,738	2,190,518	1,844,738
Domestic repasses - FINAME				
Post-fixed	<u>1,073,289</u>	<u>841,849</u>	<u>1,103,957</u>	<u>862,497</u>
Total	<u>6,816,409</u>	<u>4,798,208</u>	<u>6,847,077</u>	<u>4,818,856</u>

Banco Votorantim S.A.

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b. Composition of the portfolio by maturity dates

Maturity dates	Bank		Consolidated	
	2008	2007	2008	2007
Within 90 days	693,004	926,918	695,577	927,031
From 91 to 360 days	2,899,608	3,162,473	2,909,548	3,162,473
From 1 to 3 years	1,564,086	584,551	1,577,470	605,086
From 3 to 5 years	1,619,558	121,568	1,624,329	121,568
Over 5 years	<u>40,153</u>	<u>2,698</u>	<u>40,153</u>	<u>2,698</u>
Total	<u>6,816,409</u>	<u>4,798,208</u>	<u>6,847,077</u>	<u>4,818,856</u>

20 Other liabilities - Foreign exchange portfolio

	Bank		Consolidated	
	2008	2007	2008	2007
Unsettled foreign exchange sold	876,895	988,938	876,895	988,938
Financed import - Exchange contracted	(13,168)	(4,535)	(13,168)	(4,535)
Obligations from the purchase of foreign currency	1,830,576	1,402,132	1,830,576	1,402,132
Advances against exchange contract	(<u>732,877</u>)	(<u>512,108</u>)	(<u>732,877</u>)	(<u>512,108</u>)
Total	<u>1,961,426</u>	<u>1,874,427</u>	<u>1,961,426</u>	<u>1,874,427</u>

21 Other liabilities - Social and statutory

	Bank		Consolidated	
	2008	2007	2008	2007
Dividends/Interest on shareholders' equity/Benefits payable	187,000	155,865	187,000	163,901
Provision for profit sharing	45,218	33,564	126,768	104,014
Other	<u>505</u>	<u>6,500</u>	<u>505</u>	<u>6,500</u>
Total	<u>232,723</u>	<u>195,929</u>	<u>314,273</u>	<u>274,415</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

22 Other liabilities - Tax and social security

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Taxes and contributions on income payable	76,322	117,348	230,009	261,127
Taxes and contributions payable	65,945	26,485	99,347	49,302
Other taxes and contributions (Legal obligations - Legal processes)	369,461	291,904	631,755	429,693
Provision for deferred taxes and contributions	151,678	211,171	423,104	281,715
Provision for tax risks	<u>8,342</u>	<u>7,964</u>	<u>13,636</u>	<u>12,986</u>
Total	<u>671,748</u>	<u>654,872</u>	<u>1,397,851</u>	<u>1,034,823</u>

23 Other liabilities - Due in connection with securities

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Clearing department	36,485	50,999	44,173	57,179
Creditors account settlement pending	12,458	19,493	11,456	18,969
Creditors for share loans	59,609	280,544	59,609	280,544
Other	<u>46,340</u>	<u>7,457</u>	<u>46,339</u>	<u>32,453</u>
Total	<u>154,892</u>	<u>358,493</u>	<u>161,577</u>	<u>389,145</u>

24 Other liabilities - Subordinated debts

	Correction Rate	<u>Bank</u>		<u>Consolidated</u>	
		2008	2007	2008	2007
Bank deposit certificates					
Post-fixed	DI	1,304,757	-	1,304,757	-
Debentures					
Post-fixed	DI plus 0.5% p.a.	-	-	<u>1,379,524</u>	<u>1,381,468</u>
Total		<u>1,304,757</u>	-	<u>2,684,281</u>	<u>1,381,468</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

25 Other liabilities - Other

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Provision for personnel expenses	9,538	6,302	28,678	20,788
Provision other administrative expenses	8,405	7,288	34,784	18,042
Provision for contingent liabilities	2,116	437	42,957	43,185
LCA - Agrobusiness credit notes	1,464,295	216,337	1,464,295	216,337
Market value adjustment - Financial instruments	105,385	-	610,822	-
Other	<u>44,638</u>	<u>125,771</u>	<u>221,320</u>	<u>181,627</u>
Total	<u>1,634,377</u>	<u>356,135</u>	<u>2,402,856</u>	<u>479,979</u>

26 Shareholders' equity

a. Capital

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

b. Dividends

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

At an Extraordinary General Meeting held on June 10, 2008 the shareholders approved the distribution of dividends in the amount of R\$ 60,018 (R\$ 0.81 per lot of one thousand shares).

c. Interest on own capital

In accordance with the option provided in Law 9249/95, in 2008, the Bank calculated interest on own capital based on the long term interest rate (TJLP) in force during the semester, for the amount of R\$ 220,000, which was recorded to financial expenses, as required by tax legislation. For purposes of these financial statements, this interest has been eliminated from financial expenses for the semester and recorded to retained earnings.

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Income tax and social contribution for the semester decreased by approximately R\$ 88,000, as a result of deducting the interest on own capital credited to the shareholders from these taxes.

d. Capital reserves

On June 30, 2008, capital reserves were recorded, basically from allocation of tax incentives for the amount of R\$ 23,400 (2007 - R\$ 13,318) and the correction of membership certificates, for the amount of R\$ 8,108 (2007 - R\$ 7,493). Capital reserve can be used to increase capital or to compensate losses.

e. Revenue reserve

Legal reserve

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

Expansion reserve

During the General meeting to approve the accounts for 2008, the capital budget will be considered, which justifies the allocation of profit not distributed to the "Expansion reserve".

f. Prior year adjustments

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

27 Service fee income

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Income from banking charges	741	-	45,142	-
Credit facility rate	-	-	120,054	155,219
Administration of investment funds	-	-	47,117	32,644
Brokerage exchange operations	-	-	17,631	12,300
Commissions on placing of securities	11,188	9,820	11,188	9,834
Services rendered associated companies	4,359	3,668	-	-
Income from guarantees provided	23,722	13,414	23,722	13,414
Other	<u>5,645</u>	<u>6,905</u>	<u>95,340</u>	<u>83,234</u>
Total	<u>45,655</u>	<u>33,807</u>	<u>360,194</u>	<u>306,645</u>

28 Personnel expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Fees	5,727	6,535	12,167	12,334
Benefits	8,381	6,213	31,234	23,561
Social security charges	13,469	9,020	37,785	25,571
Salaries	34,173	27,557	102,918	71,883
Training	<u>1,324</u>	<u>626</u>	<u>2,021</u>	<u>1,660</u>
Total	<u>63,074</u>	<u>49,951</u>	<u>186,125</u>	<u>135,009</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

29 Other administrative expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Rental	4,440	3,460	12,075	10,497
Communications	3,394	2,780	31,183	20,720
Maintenance and conservation of fixed assets	1,075	770	15,231	11,462
Data processing	19,674	13,460	40,932	31,222
Promotions and public relations	2,080	1,771	11,368	21,507
Publicity and advertising	1,531	1,292	7,793	3,989
Publications	375	540	770	862
Financial system services	3,756	2,083	46,522	23,258
Outsourced services	1,500	1,148	28,618	18,527
Specialized technical services	15,142	9,626	76,831	62,984
Amortization	1,633	1,164	6,171	5,201
Depreciation	2,058	1,819	6,525	5,383
Transportation	735	544	6,187	4,940
Travel	2,246	1,368	15,755	11,362
Other	<u>6,393</u>	<u>4,295</u>	<u>70,773</u>	<u>52,030</u>
Total	<u>66,032</u>	<u>46,120</u>	<u>376,734</u>	<u>283,944</u>

30 Other operational income

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Recovery of charges and expenses	97	-	119,010	-
Price-level restatement of assets	174	-	362	-
Reversal of operating provisions	3,553	-	3,553	54,088
Premium in the issuance of debentures	-	-	-	250,000
Other	<u>26,360</u>	<u>21,440</u>	<u>81,577</u>	<u>42,996</u>
Total	<u>30,184</u>	<u>21,440</u>	<u>204,502</u>	<u>347,084</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

31 Other operational expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Price-level restatement of liabilities	15,683	10,983	29,154	21,136
Exchange variance overseas investments	79,302	91,290	79,719	92,144
Commissions paid for acting as intermediary	1,505	-	498,396	312,846
Provision for contingent liabilities	-	224	10	16,162
Discounts granted	-	-	99,136	-
Other	<u>12,808</u>	<u>15,388</u>	<u>67,321</u>	<u>49,491</u>
Total	<u>109,298</u>	<u>117,885</u>	<u>773,736</u>	<u>491,779</u>

32 Income tax and social contribution

a. Charges due on operations

	Bank		Consolidated	
	2008	2007	2008	2007
Income before income tax, social contribution and profit share	668,320	677,461	853,792	858,902
Charges at the nominal rates of 25% and 15%	(267,328)	(230,337)	(341,517)	(292,027)
Exclusions/(additions)	<u>191,006</u>	<u>112,412</u>	<u>111,508</u>	<u>30,324</u>
Profit sharing	18,129	11,830	50,807	35,957
Tax loss and negative social contribution base	(26,616)	50,370	21,633	50,370
Equity in income of subsidiary	88,342	142,267	-	-
Results of subsidiary and branch overseas	-	(13,080)	-	(13,080)
Non-taxable interest on securities	57,697	56,113	58,873	57,766
Interest on own capital	88,000	-	99,791	-
Allowance for loan losses	(23,174)	280	(128,632)	(4,573)
Market adjustment Circulars 3068 and 3082	(86,059)	(28,132)	(214,582)	(37,528)
Derivatives - Dow 11051	(29,047)	(107,270)	207,842	(123,392)
Provision for contingent liabilities	(576)	-	(1,498)	(6,103)
Additional depreciation charge	-	-	10,303	14
Differential adjustment for social contribution rate/Other	(7,016)	34	6,971	70,893
Current income tax and social contribution	<u>(76,322)</u>	<u>(117,925)</u>	<u>(230,009)</u>	<u>(261,703)</u>
Deferred income tax and social contribution	<u>11,897</u>	<u>135,402</u>	<u>(188,506)</u>	<u>156,218</u>
Total income tax and social contribution	<u>(64,425)</u>	<u>17,477</u>	<u>(418,515)</u>	<u>(105,485)</u>

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b. Deferred income tax and social contribution affecting the results

	Bank		Consolidated	
	2008	2007	2008	2007
Deferred income tax and social contribution				
Additions/(exclusions)				
Market adjustment Circulars 3068 and 3082	40,944	28,132	32,899	37,528
Derivatives - Law 11051	(29,047)	107,270	(211,102)	118,686
Other	—	—	(10,303)	—
Total	<u>11,897</u>	<u>135,402</u>	<u>(188,506)</u>	<u>156,218</u>
Tax credit				
Additions/(exclusions)				
Allowance for loan losses	23,174	(280)	128,632	4,573
Tax loss and negative social contribution base	(26,616)	(50,370)	(21,633)	(50,370)
Market adjustment Circulars 3068 and 3082	45,115	-	181,683	-
Provision for contingent liabilities	576	-	1,498	6,103
Derivatives - Law 11051	-	-	3,260	4,706
Other	—	—	—	(278)
Total	<u>42,249</u>	<u>(50,650)</u>	<u>293,440</u>	<u>(35,266)</u>

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

	Bank		Consolidated	
	2008	2007	2008	2007
Asset (Other receivables - Other)				
Opening balance	50,253	143,752	395,737	404,100
Provision for contingent liabilities	576	-	1,498	6,103
Market adjustment Circulars 3068 and 3082	45,115	-	181,683	-
Allowance for loan losses	23,174	(280)	24,105	4,573
Tax loss and negative social contribution base	(26,616)	(50,370)	82,894	(50,370)
Derivatives - Law 11051	-	-	3,260	4,706
Other	(144)	—	(144)	(1)
Closing balance	<u>92,358</u>	<u>93,102</u>	<u>689,033</u>	<u>369,111</u>

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	Bank		Consolidated	
	2008	2007	2008	2007
Liabilities (Other liabilities - tax and social security)				
Opening balance	163,576	346,573	234,598	437,653
Market adjustment Circulars 3068 and 3082	(40,944)	(28,132)	211,102	(37,528)
Derivatives - Law 11051	29,047	(107,270)	(32,899)	(118,686)
Other	—	—	<u>10,303</u>	<u>276</u>
Closing balance	<u>151,678</u>	<u>211,171</u>	<u>423,104</u>	<u>281,715</u>

d. Composition of tax credit expected of realization

Composition	Bank		Consolidated	
	2008	2007	2008	2007
Allowance for loan losses	44,926	22,414	396,150	200,497
Market adjustment Circulars 3068 and 3082	45,115	-	247,290	-
Unrealized results - Derivatives	-	-	20,314	82,407
Provision for contingent liabilities	576	-	18,555	15,519
Tax loss and negative social contribution base	<u>1,741</u>	<u>70,688</u>	<u>6,724</u>	<u>70,688</u>
Total	<u>92,358</u>	<u>93,102</u>	<u>689,033</u>	<u>369,111</u>

Expected realization	2008	
	Bank	Consolidated
In 2008	38,790	152,330
In 2009	7,170	215,594
In 2010	27,145	286,788
In 2011	1,292	16,360
In 2012	<u>17,961</u>	<u>17,961</u>
Total	<u>92,358</u>	<u>689,033</u>

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e. Other information

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

- Allowance for loan losses: realization dependent on the legal periods for deductibility, according to Law 9430/96, after depleting the resources for legal collection. Any recoveries or reduction in loss will result in a reduction of the provision, which will have to be excluded from the taxable base;
- Tax loss and negative basis of social contribution: generated mainly by the advent of Law 11051/04 (article 32), which determines the tax impacts of derivative markets, exclusively in the settlement of the contract, of assignment or closing of position;
- Market adjustment - Circulars 3,068 and 3,082: refer to expenses to be taxed when realized, arising from the difference between the curve values and the market values of securities and derivative financial instruments.

The values presented as expected realization of tax assets are supported by technical studies up dated on June 30, 2008.

The deferred tax liabilities refer to income to be taxed when realized, as determined in article 32 of Law 11051/04.

33 Related parties

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

	2008	2007
Assets		
Interbank fund applied	17,179,232	13,193,859
Derivative financial instruments	303,845	9,156,430
Other receivables	25,868	3,266

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	2008	2007
Liabilities		
Deposits	10,052,848	13,624,935
Money market repurchase commitments	5,275,753	643,730
Derivative financial instruments	2,083,849	201,003
Other liabilities	1,002	524
Income		
Securities income	1,519,459	693,018
Results from derivative financial instruments	-	531,744
Service fee income	4,359	3,668
Expenses		
Deposits, money market and interbank funds	(967,487)	815,870
Results from derivative financial instruments	(21,688)	-

34 Risk management

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

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

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

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

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

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

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

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

For further details of the Risk structure, visit the site www.votorantimfinancas.com.br.

	2008	2007
Reference Equity Level I	6,321,300	5,623,138
Reference Equity Level II	<u>1,499,631</u>	<u>828,881</u>
Total Reference Equity (Levels I and II)	<u>7,820,931</u>	<u>6,452,019</u>
Risk weighted assets	52,647,851	36,051,777
Swap weighting	2,087,123	2,155,207
Weighting of market risk	<u>653,752</u>	<u>3,842,100</u>
Total	<u>55,388,725</u>	<u>42,049,084</u>
Index (minimum required by BACEN is 11%)	<u>14.12%</u>	<u>15.34%</u>

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35 Contingent assets and liabilities and legal obligations

a. Contingent liabilities

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

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

Adopting this criteria seeks to comply with Resolution nº 3535/2008 of Central Bank of Brazil, which requires that a provision be recorded for the total value of the contingencies classified as representing probable losses, and no provision for those classified as possible or remote.

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

Bank	Tax demands		Civil demands		Labor demands	
	2008	2007	2008	2007	2008	2007
Opening balance	8,157	7,752	-	-	747	501
Constitutions/(reversals)	-	-	-	-	1,369	(64)
Corrections	<u>185</u>	<u>212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>8,342</u>	<u>7,964</u>	<u>-</u>	<u>-</u>	<u>2,116</u>	<u>437</u>
Consolidated	Tax demands		Civil demands		Labor demands	
	2008	2007	2008	2007	2008	2007
Opening balance	12,696	8,259	27,790	17,382	19,150	8,643
Constitutions/(reversals)	-	-	(12,366)	8,344	8,383	8,816
Corrections	<u>940</u>	<u>4,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Write off						
Closing balance	<u>13,636</u>	<u>12,986</u>	<u>15,424</u>	<u>25,726</u>	<u>27,533</u>	<u>17,459</u>

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

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Tax demands	5,590	4,397	5,771	4,562
Civil demands	-	-	-	2,960
Labor demands	<u>1,606</u>	<u>59</u>	<u>4,050</u>	<u>1,361</u>
Total	<u>7,196</u>	<u>4,456</u>	<u>9,821</u>	<u>8,883</u>

b. Contingent assets

No contingent assets were recorded.

c. Legal obligations

The Institution has filed for the non payment of COFINS based on income that is not derived from monthly revenue (enlargement of the calculation base introduced by Law 9718/98).

	<u>Bank</u>		<u>Consolidated</u>	
	2008	2007	2008	2007
Opening balance	331,651	251,468	525,638	387,266
Constitutions/(reversals)	27,234	31,890	85,007	31,890
Corrections	<u>10,576</u>	<u>8,546</u>	<u>21,110</u>	<u>10,537</u>
Closing balance	<u>369,461</u>	<u>291,904</u>	<u>631,755</u>	<u>429,693</u>

d. Contingencies not provided

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

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

e. Other commitments

On July 25, 2003, the Bank officially registered with the Federal Revenue Department its adherence 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, 2008, the balance of the program is R\$ 9,365 (2007 - R\$ 10,743). 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.

36 Other information

- a.** Tax expenses refer, mainly, to Provisional Contribution on Financial Activity - CPMF, contribution to Social Integration Program - PIS, Contributions for Social Security Financing - COFINS and service tax - ISS.
- b.** By means of Provisionary Measure 413/2008, published in the Federal Official Gazette, on January 3, 2008, which is being considered in the National Congress, the Federal Government increased the rate for social contribution on net profit for financial institutions from 9% to 15%. This Law had effects on the results earned as from May 1st, 2008.

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- c. On December 28, 2007, Law 11638 was enacted and came in to force as from January 01, 2008. This law altered, revoked and introduced new rulings to Law 6404/76 (Corporation Law) and resulted in changes to accounting practices adopted in Brazil. Although this law had come into force, the main alterations introduced depend on regulation by the regulatory bodies before being fully applied by companies. The main changes introduced in the new law, that affect the Institution, refer to: the replacement of the statement of changes in financial position by the statement of cashflows, periodic analysis of the recovery of permanent assets, and creation of the account “adjustments to equity valuations” included in shareholders’ equity. The communication issued by BACEN, regarding the procedures to adapt accounting standards, determined the need for specific action to be undertaken, to be concluded by December 31,2008, aimed at adapting the regulations applicable to financial institutions and other institutions, authorized to operate by BACEN, to the new accounting guidelines defined in Law 11638. During 2008, BACEN, will issue normative statements with the procedures to be adopted for preparing and publishing financial statements aligned with the new legislation and the financial statements for the base date December 31, 2008, will have to reflect the new accounting practices adopted.