



Banco Votorantim S.A.

**Financial statements
June 30, 2010 and 2009**

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil.)



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Financial statements

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Independent auditors' report

To the
Management and Shareholders of
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, 2010 and 2009, and the related statements of income, changes in shareholders' equity, cash flows and added value 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 generally accepted 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 equity and financial positions of Banco Votorantim S.A. and the consolidated equity and financial position of the Bank and its subsidiaries as of June 30, 2010 and 2009, and the results of its operations, changes in its shareholders' equity, cash flows and added value in the operations for the semesters then ended, in conformity with Brazilian accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil.

São Paulo, August 12, 2010

KPMG Auditores Independentes
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Original report in Portuguese signed by
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Banco Votorantim S.A.

Balance sheets

June 30, 2010 and 2009

(In thousands of Reals)

	Bank		Consolidated			Bank		Consolidated	
	2010	2009	2010	2009		2010	2009	2010	2009
Assets					Liabilities				
Current assets	59,141,309	77,625,030	55,757,113	62,218,058	Current liabilities	79,581,571	79,595,641	59,902,380	61,019,542
Cash	42,014	310,595	93,497	355,203	Deposits	19,779,874	18,037,682	19,547,890	17,826,174
Interbank funds applied	15,973,215	39,671,451	14,829,740	25,342,192	Demand deposits	257,881	106,625	285,230	110,356
Money market	13,227,847	23,519,868	13,227,847	23,519,868	Interbank deposits	952,729	4,118,642	693,549	3,880,732
Interbank deposits	2,686,945	15,812,498	1,543,470	1,483,239	Time deposits	18,566,278	13,810,485	18,566,279	13,833,293
Foreign currency deposits	58,423	339,085	58,423	339,085	Other deposits	2,986	1,930	2,832	1,793
Securities and derivative financial instruments	30,106,986	28,053,637	14,465,549	15,685,403	Money market repurchase commitments	28,204,477	31,058,454	27,096,783	30,127,345
Own portfolio	3,635,531	6,849,790	6,026,068	7,896,770	Own portfolio	21,313,348	12,743,048	20,941,548	12,634,386
Subject to repurchase commitments	19,631,527	17,553,480	3,789,464	4,068,144	Third party portfolio	6,888,919	17,185,378	6,153,025	16,362,931
Derivative financial instruments	2,953,904	1,195,071	1,294,597	1,239,024	Free movement portfolio	2,210	1,130,028	2,210	1,130,028
Deposited with the Central Bank	-	192,784	-	192,784	Acceptances and endorsements	1,517,173	1,811,153	1,517,173	1,811,153
Subject to guarantees provided	3,886,024	2,262,512	3,355,420	2,288,681	Funds from real state and agricultural credits	654,035	1,024,098	654,035	1,024,098
Interbank accounts	4,321,575	77,901	4,321,575	77,901	Liabilities from overseas securities	863,138	787,055	863,138	787,055
Payments and receipts pending settlement	637	711	637	711	Interbank relations	8,581	10,210	8,581	10,210
Central Bank Deposits	4,260,497	63,492	4,260,497	63,492	Payments in transit	8,581	10,210	8,581	10,210
Interbank funds	53,299	12,984	53,299	12,984	Interbranch accounts	52,325	38,938	52,370	39,728
Correspondents	7,142	714	7,142	714	Third party funds in transit	52,325	38,938	52,325	38,938
Interbranch relations	-	67	-	656	Own funds in transit	-	-	45	790
Domestic branches	-	67	-	656	Borrowings and repasses	4,360,211	5,564,796	4,360,813	5,577,220
Loans	6,320,188	6,528,656	16,963,560	15,378,445	Domestic borrowings - Official institutions	-	734,458	-	734,458
Public sector	65,505	1,304	65,505	1,304	Domestic borrowings - Other institutions	23,437	25,860	23,437	25,860
Private sector	6,392,057	6,622,809	17,806,115	16,079,940	Foreign currency trade finance borrowings	2,771,759	2,661,471	2,771,759	2,661,471
Allowance for loan losses	(137,374)	(95,457)	(908,060)	(702,799)	Domestic repasses - Official institutions	1,565,015	2,143,007	1,565,017	2,155,431
Lease operations	-	-	1,456,678	947,526	Derivative financial instruments	22,804,012	20,724,394	715,438	2,795,407
Lease receivable - Public sector	-	-	-	3,065	Derivative financial instruments	22,804,012	20,724,394	715,438	2,795,407
Lease receivable - Private sector	-	-	2,247,064	1,356,928	Other liabilities	2,854,918	2,350,014	6,603,332	2,832,305
Unearned lease income	-	-	(758,374)	(394,762)	Tax collection and payment, and similar payments	10,398	-	26,906	-
Allowance for lease losses	-	-	(32,012)	(17,705)	Foreing exchange portfolio	1,832,847	1,342,211	1,832,847	1,342,211
Other receivables	2,362,165	2,977,547	3,499,132	4,327,954	Social and statutory	368,730	417,448	501,531	519,151
Foreign exchange portfolio	1,971,538	2,313,088	1,971,538	2,313,088	Taxes payable	172,141	211,831	1,299,930	542,196
Income receivable	102,067	5,801	14,246	15,554	Securities clearing accounts	351,957	76,168	416,880	102,508
Securities clearing accounts	72,344	224,434	150,775	246,165	Subordinated debt	-	-	1,375,370	-
Guarantees honored	-	4,703	-	4,703	Other	118,845	302,356	1,149,868	326,239
Other	253,055	456,525	1,399,412	1,779,646	Long-term liabilities	22,716,774	15,214,086	31,435,041	21,282,982
Allowance for doubtful receivable	(36,839)	(27,004)	(36,839)	(31,202)	Deposits	4,755,444	6,022,391	4,691,392	5,999,583
Other assets	15,166	5,176	127,380	102,778	Interbank deposits	109,416	6,867	55,986	6,867
Other assets	4,218	1,022	87,110	80,459	Time deposits	4,646,028	6,015,524	4,635,406	5,992,716
Prepaid expenses	10,948	4,154	40,270	22,319	Money market repurchase commitment	4,690,481	3,162,841	4,690,481	3,162,841
Long-term assets	48,294,235	21,336,824	43,466,366	26,530,757	Own portfolio	4,593,603	3,162,841	4,593,603	3,162,841
Interbank funds applied	24,916,802	6,137,207	959,109	1,488,865	Free movement portfolio	96,878	-	96,878	-
Interbank deposits	24,916,802	6,137,207	959,109	1,488,865	Acceptances and endorsements	2,931,221	1,091,332	6,002,792	4,180,400
Securities and derivative financial instruments	13,236,975	6,107,091	13,722,202	4,413,716	Liabilities from overseas securities	1,791,288	-	1,791,288	-
Own portfolio	5,559,151	2,466,259	5,559,151	2,466,259	Funds from real state and agricultural credits	1,139,933	1,091,332	1,139,933	1,091,332
Subject to repurchase commitments	5,416,851	202,567	5,416,851	202,567	Funds from debentures	-	-	3,071,571	3,089,068
Derivative financial instruments	560,798	2,491,778	485,226	798,403	Borrowings and repasses	5,264,063	2,648,026	5,294,107	2,670,922
Subject to guarantees provided	1,700,175	946,487	2,260,974	946,487	Domestic borrowings - Other institutions	11,298	36,538	11,298	36,538
Loans	9,459,732	8,752,072	23,524,522	18,050,572	Foreign currency trade finance borrowing	1,752,788	713,586	1,752,788	713,586
Public sector	75,987	155,687	75,987	155,687	Domestic repasses - Official institutions	3,499,977	1,897,902	3,530,021	1,920,798
Private sector	9,537,744	8,702,060	23,956,371	18,276,239	Derivative financial instruments	-	316,575	4,929,297	556,259
Allowance for loan losses	(153,999)	(105,675)	(507,836)	(381,354)	Derivative financial instruments	-	316,575	4,929,297	556,259
Lease operations	-	-	2,487,467	1,359,844	Other liabilities	5,075,565	1,972,921	5,826,972	4,712,977
Leases receivable - Private sector	-	-	4,496,556	2,504,864	Taxes payable	594,369	501,683	1,345,776	1,314,045
Unearned lease income	-	-	(1,961,841)	(1,124,634)	Securities clearing accounts	1,065	-	1,065	3,115
Allowance for lease losses	-	-	(47,248)	(20,386)	Subordinated debt	4,480,131	1,471,238	4,480,131	2,847,185
Other receivables	680,726	340,451	2,510,324	956,002	Other	-	-	-	548,632
Securities clearing accounts	5,134	-	5,134	-	Deferred income	39,095	40,290	39,095	40,290
Other	675,592	340,451	2,505,190	956,002	Minority interest	-	-	43	37,835
Other assets	-	3	262,742	261,758	Shareholders' equity	8,038,943	6,464,097	8,038,943	6,464,097
Prepaid expenses	-	3	262,742	261,758	Capital:				
Permanent assets	2,940,839	2,352,260	192,024	95,931	Domestic	3,994,896	3,380,000	3,994,896	3,380,000
Investments	2,866,717	2,320,190	62,228	13,084	Capital reserves	617,049	31,946	617,049	31,946
Domestic subsidiaries and affiliates	2,801,253	2,310,605	-	-	Revenue reserves	3,086,397	3,065,279	3,086,397	3,065,279
Investment in overseas subsidiary	37,849	4,532	-	-	Valuation adjustments - Available for sale securities	2,139	(141,838)	2,139	(141,838)
Other investments	27,615	5,053	62,228	13,084	Retained earnings	338,462	128,710	338,462	128,710
Fixed assets	40,414	21,359	67,992	50,884	Total liabilities	110,376,383	101,314,114	99,415,503	88,844,746
Other fixed assets for use	72,636	52,303	126,328	120,437					
Accumulated depreciation	(32,222)	(30,944)	(58,336)	(69,553)					
Deferred charges	30,804	10,711	45,649	27,282					
Organization and expansion expenses	32,533	25,141	80,087	83,811					
Accumulated amortization	(1,729)	(14,430)	(34,438)	(56,529)					
Intangibles	2,904	-	16,155	4,681					
Other intangible assets	2,904	-	17,956	5,243					
Accrued amortization	-	-	(1,801)	(562)					
Total assets	110,376,383	101,314,114	99,415,503	88,844,746					

See the accompanying notes to the financial statements

Banco Votorantim S.A.

Statements of income

Semesters ended June 30, 2010 and 2009

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

	Bank		Consolidated	
	2010	2009	2010	2009
Financial operations income	3,634,553	2,894,585	7,157,777	5,201,544
Loans	958,892	307,382	4,536,535	3,523,173
Lease operations	-	-	1,350,848	712,860
Securities income	3,646,965	3,013,952	1,858,560	1,347,359
Derivative financial instruments	(1,152,602)	(426,749)	(769,464)	(381,848)
Foreign exchange operations	90,076	-	90,076	-
Compulsory deposits	91,222	-	91,222	-
Financial operations expenses	(3,155,525)	(2,162,122)	(5,076,607)	(3,135,123)
Deposits, money market and interbank funds	(2,821,952)	(2,524,957)	(2,993,947)	(2,329,726)
Borrowings, assignments and repasses	(253,118)	629,813	(254,385)	628,168
Lease operations	-	-	(958,045)	(498,037)
Foreign exchange operations	-	(168,776)	-	(168,749)
Allowance for loan losses	(80,455)	(98,202)	(870,230)	(766,778)
Gross income from financial operations	479,028	732,463	2,081,170	2,066,421
Other operating income/(expenses)	112,815	(214,008)	(1,151,224)	(1,336,282)
Income from rendered service	137,610	70,604	210,476	150,157
Income from banking fee	531	411	350,470	175,571
Personnel expenses	(131,866)	(97,011)	(340,110)	(264,206)
Other administrative expenses	(155,996)	(82,947)	(691,598)	(455,788)
Tax expenses	(39,458)	(41,798)	(227,322)	(175,384)
Equity in earnings of subsidiaries	295,881	141,770	-	-
Other operational income	24,340	29,611	868,766	528,564
Other operational expenses	(18,227)	(234,648)	(1,321,906)	(1,295,196)
Operating results	591,843	518,455	929,946	730,139
Non operating results	(3,973)	177	(39,801)	(59,492)
Income before taxation and profit sharing	587,870	518,632	890,145	670,647
Income and social contribution taxes	(34,800)	(83,402)	(228,710)	(191,179)
Provision for income tax	(24,808)	(49,775)	(451,439)	(323,176)
Provision for social contribution	(17,409)	(28,661)	(150,486)	(122,635)
Deferred income and social contribution taxes	7,417	(4,966)	373,216	254,632
Profit sharing	(75,552)	(34,758)	(183,923)	(77,934)
Net profit before minority interest	477,518	400,472	477,512	401,534
Minority interest	-	-	6	(1,062)
Net profit for the semester	477,518	400,472	477,518	400,472
Net profit per lot of one thousand shares - RS	5.86	5.40		

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of changes in shareholders' equity

Semesters ended June 30, 2010 and 2009

(In thousand of Reais)

	Capital	Capital reserves	Revenue reserves			Valuation adjustments - Securities available for sale	Retained earnings	Total
			Legal	Expansion	From fiscal incentives			
Balances at December 31, 2008	3,380,000	31,946	303,732	2,741,523	-	(95,006)	-	6,362,195
Valuation adjustments - Available for sale securities	-	-	-	-	-	(46,832)	-	(46,832)
Other	-	-	-	-	-	-	(1,738)	(1,738)
Net profit	-	-	-	-	-	-	400,472	400,472
Distribution of net profit:								
Legal reserve	-	-	20,024	-	-	-	(20,024)	-
Interest on own capital	-	-	-	-	-	-	(250,000)	(250,000)
Balances at June 30, 2009	<u>3,380,000</u>	<u>31,946</u>	<u>323,756</u>	<u>2,741,523</u>	<u>-</u>	<u>(141,838)</u>	<u>128,710</u>	<u>6,464,097</u>
Balances at December 31, 2009	3,544,896	617,049	343,821	2,716,341	-	(76,664)	-	7,145,443
Capital increase	450,000	-	-	-	-	-	-	450,000
Valuation adjustments - Available for sale securities	-	-	-	-	-	78,803	-	78,803
Net profit	-	-	-	-	-	-	477,518	477,518
Distribution of net profit:								
Legal reserve	-	-	23,875	-	-	-	(23,875)	-
Fiscal incentive reserve	-	-	-	-	2,360	-	(2,360)	-
Distribution of dividends	-	-	-	-	-	-	(112,821)	(112,821)
Balances at June 30, 2010	<u>3,994,896</u>	<u>617,049</u>	<u>367,696</u>	<u>2,716,341</u>	<u>2,360</u>	<u>2,139</u>	<u>338,462</u>	<u>8,038,943</u>

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of cash flows

Semesters ended June 30, 2010 and 2009

(In thousand of Reais)

	Bank		Consolidated	
	2010	2009	2010	2009
Cashflows from operations				
Net profit	477,518	400,472	477,518	400,472
Adjustments to net profit:	(192,264)	(38,148)	1,062,356	795,084
Depreciation and amortization	4,382	3,228	13,499	13,096
Equity in earnings of subsidiary	(295,881)	(141,770)	-	-
Allowance for loan losses	80,455	98,202	870,231	766,778
Provision for contingent liabilities /legal obligations	14,807	2,192	138,825	15,210
Non operating results	3,973	-	39,801	-
Balance sheet variations				
Intrbank funds applied	(987,606)	(5,070,133)	3,423,855	(297,274)
Securities and Derivative financial instruments	(11,131,219)	(1,437,272)	(10,947,860)	62,100
Interbank and interbranch accounts	(4,201,297)	(53,187)	(4,204,812)	(54,115)
Loans/ Lease	(396,878)	2,347,407	(4,923,073)	(232,252)
Other receivables	(1,453,610)	2,118,779	(2,085,214)	1,509,660
Other assets	(4,870)	2,940	(9,149)	103,163
Deposits	(230,329)	4,826,327	(238,140)	4,893,323
Money market repurchase commitments	7,291,056	16,633,350	7,019,796	16,665,637
Acceptances and endorsements	1,129,019	(10,683)	1,249,475	(310,690)
Borrowings and repasses	2,355,081	(2,434,056)	2,352,164	(2,436,797)
Other liabilities	1,970,613	(960,798)	2,487,046	(1,196,260)
Deferred income	4,176	16,582	4,176	16,582
Valuation adjustments - Available for sale securities	78,803	(46,832)	78,803	(46,832)
Cash generated (used) in the operations	(5,291,807)	16,294,748	(4,253,059)	19,871,801
Cashflows from financing activities				
Capital increase	450,000	-	450,000	-
Minority interest	-	-	19	(2,773)
Subordinated debts	1,552,316	76,305	1,488,680	(22,507)
Cash generated (used) in financing activities	2,002,316	76,305	1,938,699	(25,280)
Cashflows from investment activities				
Disposal of fixed assets for use and lease	45	4,887	540	16,583
Disposal of investments	7,004	11,519	10,283	-
Purchase of fixed assets for use and lease	(10,655)	(10,891)	(17,259)	(20,805)
Purchase of investments	(6,584)	-	(18,929)	(115)
Deferred charges	(4,325)	(8,053)	(7,674)	(12,214)
Intangible investments	(2,904)	-	(11,776)	(4,891)
Cash generated (used) in investment activities	(17,419)	(2,538)	(44,815)	(21,442)
Net variation in cash and cash equivalents	(3,306,910)	16,368,515	(2,359,175)	19,825,079
Cash and cash equivalents at the beginning of the semester	9,990,396	23,613,531	9,127,958	5,872,316
Cash and cash equivalents at the end of the semester	6,683,486	39,982,046	6,768,783	25,697,395
Increase/(decrease) in cash and cash equivalents	(3,306,910)	16,368,515	(2,359,175)	19,825,079

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statements of added value

Semesters ended June 30, 2010 and 2009

(In thousands of Reais)

	Bank		Consolidated	
	2010	2009	2010	2009
Income	3,694,378	2,662,538	6,355,551	3,934,370
Financial operations income	3,634,553	2,894,585	7,157,777	5,201,544
Income from rendered service and fees	138,141	71,015	560,946	325,728
Other income/(expenses)	6,112	(205,037)	(453,140)	(766,632)
Allowance for loan losses	(80,455)	(98,202)	(870,231)	(766,778)
Non operating results	(3,973)	177	(39,801)	(59,492)
Financial operations expenses	(3,075,070)	(2,063,920)	(4,206,376)	(2,368,345)
Inputs acquired from third parties	(134,038)	(70,045)	(629,464)	(423,661)
Material, power and other operating expenses	(725)	(1,322)	(4,543)	(16,061)
Outsourced services	(1,488)	(1,489)	(9,198)	(33,619)
Other	(131,825)	(67,234)	(615,723)	(373,981)
Communication	(5,349)	(4,690)	(48,334)	(38,292)
Lease operations	(347)	(174)	(2,554)	(1,182)
Maintenance and conservation of fixed assets	(3,266)	(1,322)	(6,370)	(16,061)
Data processing	(28,102)	(25,229)	(48,870)	(47,181)
Promotion	(4,020)	(1,314)	(10,273)	(6,494)
Publications	(1,204)	(1,961)	(1,355)	(2,509)
Publicity and advertising	(1,288)	(23)	(24,810)	(3,366)
Financial system services	(27,519)	(4,433)	(87,304)	(64,792)
Specialized technical services	(48,888)	(17,855)	(233,214)	(96,393)
Transportation	(2,147)	(595)	(9,977)	(5,936)
Traveling expenses	(2,809)	(2,124)	(17,639)	(15,632)
Security and surveillance services	(808)	(403)	(1,945)	(1,164)
Other	(6,078)	(7,111)	(123,078)	(74,979)
Gross added value	485,270	528,573	1,519,711	1,142,364
Depreciation and amortization expenses	(4,382)	(3,228)	(13,499)	(13,096)
Net added value produced by the Entity	480,888	525,345	1,506,212	1,129,268
Transferred added value	295,881	141,770	-	-
Equity in earnings of subsidiaries	295,881	141,770	-	-
Total added value to be distributed	776,769	667,115	1,506,212	1,129,268
Distribution of added value	776,769	667,115	1,506,212	1,129,268
Employees	184,972	116,118	469,765	300,904
Salaries and fees	87,283	64,580	212,712	169,454
Profit sharing	75,552	34,758	183,923	77,934
Benefits and training	15,223	11,382	55,980	39,626
FGTS (Government Severance Indemnity Fund for Employees)	6,908	5,398	17,027	13,890
Other	6	-	123	-
Taxes	96,702	140,851	510,300	407,799
Domestic				
INSS on salaries	22,445	15,651	54,268	41,236
Tax expenses (except Income and Social contribution taxes)	39,458	41,798	227,322	175,384
Income and social contribution taxes	34,799	83,402	228,710	191,179
Third-party capital remuneration	17,577	9,674	48,636	19,031
Rental	17,577	9,674	48,636	19,031
Shareholders' equity	477,518	400,472	477,512	401,534
Dividends/Interest on own capital	112,821	250,000	112,821	250,000
Retained profit	364,697	150,472	364,697	150,472
Minoritary share in retained profits	-	-	(6)	1,062

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

Semesters ended June 30, 2010 and 2009

(In thousands of Reais)

1 Operations

Banco Votorantim S.A. is a closed corporation that, operating in the form of a Multiple Bank, develops banking activities in authorized categories, by means of its commercial, financing and foreign exchange operation portfolios. Through its subsidiaries, it also operates in various other categories, with an emphasis on the activities of consumer credit, leasing, administration of investment funds and credit cards.

Transactions are conducted in the context of a set of institutions that operate in an integrated manner in the financial market, including in relation to risk management, and certain transactions have the joint participation or the intermediation of member institutions, which form an integral part of the financial system. The benefits of the services provided between these institutions and the costs of the operational and administrative structure, are absorbed based on the practicality and reasonableness of the allocation of benefits and costs, jointly or individually.

In conformity with the relevant fact published on January 9, 2009, on September 28, 2009 Banco do Brasil S.A. and Votorantim Finanças S.A. completed the establishment of a strategic partnership, whereby Banco do Brasil started holding an ownership interest in Banco Votorantim equivalent to 50.00% of Banco Votorantim's capital.

Consolidation of the financial statements and risk management, and operating limits, will be in proportion to the interest held. The governance of Banco Votorantim and BV Participações is shared by Votorantim Finanças and Banco do Brasil. The Board of Directors is divided, with three board members appointed by each institution, and the office of chairman will be rotated on a yearly basis. All strategic decisions will be made jointly. The transaction was approved by the Central Bank of Brazil (BACEN) on December 4, 2009.

2 Presentation of financial statements

The financial statements were prepared on a basis of the accounting guidelines derived from Corporation Law, for the accounting of operations, associated, when applicable, with the rules and instructions of the National Monetary Council (CMN), of the (BACEN) and of the Accounting Pronouncements Committee (CPC).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

These financial statements were approved by the Company's management on August 12, 2010.

Law 11638/07 was enacted on December 28, 2007, amended by Law 11941/09, which amended Corporate Law regarding accounting practices adopted in Brazil. Although said Law is already effective, some changes it introduced depend on regulation by the National Monetary Council and the Central Bank of Brazil (BACEN). The amendments approved by BACEN were as follows: 1) accounting treatment of intangible assets; 2) procedures to measure the recoverable value of assets; 3) presentation of the statement of cash flows in place of the statement of changes in financial position; 4) the disclosure of related party information in notes to the financial statements; and 5) procedures for the recognition, measurement and disclosure of provisions, contingent assets and liabilities.

The consolidated financial statements of the Votorantim Financial Conglomerate includes Banco Votorantim and the direct subsidiaries in the country and abroad, listed below:

	<u>Participation percentage</u>	
	2010	2009
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	100.00	100.00
BV Leasing - Arrendamento Mercantil S.A.	100.00	100.00
BVIP - BV Investimentos e Participações S.A.	100.00	-
Direct subsidiaries overseas		
Votorantim Bank Limited	99.99	4.03
Banco Votorantim Securities Inc.	100.00	100.00

The consolidated financial statements were prepared in conformity with the consolidation rules and instructions of the Central Bank of Brazil (Bacen) for preparation of the consolidated Financial Conglomerate. The main procedures in the consolidation process of the financial statements are:

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

- a. Elimination of the balances of accounts of assets, liabilities, income and expenses among the branches and subsidiaries;
- b. Elimination of investments in the subsidiaries' capital, reserves and retained earnings;
- c. Preparation of financial statements of the leasing company by the financial method, reclassifying leased assets to the account of lease operations, deducted from the residual value received in advance;
- d. The accounting balances of the overseas direct subsidiaries, which are prepared according to international accounting standards, were translated into Reais, using the US dollar quotation on the closing date of the period, and were adjusted to accounting practices adopted in Brazil;
- e. The exchange variation of the operations of the branch and of the subsidiary companies abroad was distributed on the lines of the statement of income, according to the respective assets and liabilities that originated them; and
- f. The Consolidated financial conglomerate does not include, according to the consolidation rules of Bacen, the consolidation of the exclusive investment funds and of the credit receivable investment funds.

3 Risk management

Risk management policies comply with market best practices and are in line with the guidelines defined by the BACEN. They encompass companies associated with Banco Votorantim.

The Company established policies and procedures and implemented a risk management system capable of managing, evaluating and mitigating the risks inherent to its business, providing the Executive Board with a view of all incurred risks.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

A Risk Management Committee was established, and it supervises three committees, one for market risk management, another for managing credit risk, and the third is focused on managing operating risks.

The Assets & Liabilities Operating Committee (“ALM”) is in charge of carrying out capital and balance sheet strategic management. Liquidity risk is monitored by a specific committee subordinated to that committee.

Market risk

Market risk is defined as the possibility of losses arising from the variation in the market value of positions held by the institution.

Market risk management is executed in a centralized manner, by an area that maintains independence in relation to the front office.

The basic procedures adopted for risk management are: (a) integrity of the pricing of assets and derivatives; (b) evaluation of the market risk using the *Value at Risk* methodology and from simulating scenarios; (c) accompanying the daily results using the *back-test* methodology.

Banco Votorantim and its subsidiaries undertake operations that involve 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. These instruments are used for *hedging* positions to meet the demand of counterparties and as a means of reversing the positions at times of significant oscillations.

Operational risk

Operating risk is defined as the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events. It also includes the legal risk associated to the inadequacy or deficiency in contracts signed by the institution, and to fines due to failure to abide by legal provisions and indemnities for damages to third parties arising from activities performed by the institution.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

The operating risk management process starts with the application of an appropriate methodology for mapping the risks and controls inherent to the processes. As required, action plans are prepared to mitigate the main threats identified in the processes.

Operating risk management comprises the following steps: risk identification, evaluation, monitoring, control and mitigation, plus the communication and the action plan. In addition, it is mandatory to record, in the database system for operating losses and operating risk management, all events occurring in the institutions. This procedure's primary purpose is the compilation of a database to be used in calculating capital allocation for covering the operating risk, as established by the Basel II accord, and it provides sufficient information to identify the causes of the risks.

The combination of risk mapping and monitoring actions with the information obtained from the records of incurred losses allows a continuous improvement in the adopted policies and procedures, as well as the reduction of existing risks.

Credit risk

Credit risk consists of the possibility of occurring losses associated to a loan taker or a counterpart's failure to fulfill their respective financial obligations under the agreed-upon conditions, and losses associated to devaluation of a loan agreement due to deterioration of the loan taker's risk classification, reduction in gains or compensations, advantages granted in renegotiations and loan recovery costs.

Banco Votorantim has a decision making process that ensures agility and focus on lending actions in view of business opportunities and changing scenarios. Their focus has been asset growth and the maximization of the risk/return ratio, with a continuous concern about maintaining the Bank's credit portfolio quality. For that purpose, Banco Votorantim has an independent area for credit risk management, in compliance with governance best practices.

As part of the credit management process, controls and monitoring are conducted for credit policies and rules and their respective processes, restrictions and established limits, in addition to risk analysis and submission to appropriate levels and approving committees. The credit policy is formulated upon the analysis of internal indicators in the portfolio, company pricing and evaluation processes, and of external factors related to the financial situation of the companies and the economic situation of the country and foreign countries.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Also deserving of mention is the continuous monitoring of credit asset exposures and counterparts of credit assets, and the preparation of periodic reports on the credit portfolio for board analysis and decision making.

Banco Votorantim carries out credit risk assessments of their operations, determined by means of judgment and statistical models. It is worth emphasizing that in the identification of the deterioration of the Bank's loan portfolio quality, risk mitigation measures are taken, such as reassessment of customer risk profile and industry analysis that influence threshold management and management and control of guarantees.

The credit cycle encompasses the following stages:

- i.** Credit application
- ii.** Credit risk appraisal
- iii.** Credit granting
- iv.** Origination of the operation
- v.** Monitoring
- vi.** Collection
- vii.** Recovery

Banco Votorantim, in accordance with the market best practices, continue perfecting its controls and analysis models. In compliance with National Monetary Council (CMN) Resolution No. 3721, and with the new Basel agreement, specific committee structures are maintained for a better management, control and monitoring of credit portfolio risks.

Asset and liability management

The Operating Committee for Assets and Liabilities (ALM) is in charge of the management of the Bank's policy for assets and liabilities, including structural risks of interest rate, liquidity, exchange rate, as well as of the organization's capital management, whose aim is to optimize the risk/return ratio in order to minimize losses, by means of well-defined business strategies, seeking to achieve a greater efficiency in the composition of the factors impacting the Solvability Index (Basel).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Basel	2010	2009
Reference Equity level I	7,995,951	6,479,647
Reference Equity level II	<u>3,219,549</u>	<u>1,157,932</u>
Total Reference Equity (Levels I e II)	<u>11,215,500</u>	<u>7,637,579</u>
Reference equity required	<u>8,981,876</u>	<u>6,762,845</u>
Weighted credit risk	7,605,795	6,020,119
Weighted market risk	849,166	461,416
Weighted operating risk	<u>526,915</u>	<u>281,310</u>
Excess RE	<u>2,233,614</u>	<u>874,734</u>
Ratio (minimum required by Central Bank is 11%)	<u>13.70%</u>	<u>12.42%</u>

4 Significant accounting practices

a. Statement of income

The Income and expenses are recorded according to the accrual basis. Fixed-rate transactions are carried at redemption value and income and expenses corresponding to future periods are presented in an account that reduces respective assets and liabilities. Income and expenses of a financial nature are recorded by the pro rata criterion and calculated with a basis on the exponential method, excepting those related to transactions with foreign countries, which are calculated by the straight-line method. Transactions with post-fixed rates or indexed to foreign currencies are corrected to the balance sheet date.

b. Cash and cash equivalents

Cash and cash equivalents are represented by available funds and short-term interbank investments (investments up to 90 days).

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

c. Interbank funds applied

Interbank investments are recorded at investment value, plus income accrued up to the balance sheet date, calculated pro rata with a basis on the variation of the index and on the agreed interest rate.

d. Securities

Securities are recorded by the amount effectively paid and classified based on Management's intention in three different categories:

- i. Securities for trading** - Acquired for the purpose of being actively and frequently traded. Adjusted to market value with the corresponding entry to the results for the period;
- ii. Available for sale** - Securities that are not for trading or held to maturity. Adjusted to market value with the corresponding entry to a separate account in shareholders' equity, reduced for any tax effects; and
- iii. Securities held to maturity** - Securities acquired with the intention and financial capacity to hold them in the portfolio to maturity. Recorded at cost of acquisition, plus income accrued in contra account to results for the period.

The market valuation methodology of securities was established in compliance with consistent and verifiable criteria, which take into consideration the average price of trading on the date of calculation, or, in the absence thereof, the daily adjustment value of future market transactions disclosed by Anbima, BM&FBovespa (Future and Commodities Exchange) and BACEN, or the probable net realizable value obtained using interest rate future value curves, exchange rates, price and currency indexes, besides any adjustments in the prices of securities of low liquidity in order to determine the market value in a fairer and more adequate manner.

Income accrued with securities, regardless of the category in which it is classified, is calculated pro rata with a basis on the variation of the index and on the agreed interest rate, by the exponential or straight-line method, up to the date of maturity or of the final sale of the security, and is recognized directly in income for the period.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Securities classified in the “Securities for trading” category are presented in the Balance Sheet as current assets, notwithstanding the maturity of the respective securities.

e. Derivative financial instruments

Derivative financial instruments are stated at market value, with consistent and verifiable criteria, considering the average price of trading on the date of calculation, or, in the absence thereof, conventional and proven methodologies. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The derivative financial instruments are classified according to the intention of Management, taking into account its purpose. Financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in asset or liability market values are considered hedge instruments and are classified according to their nature as:

- i. Market risk hedge** - Adjustments to market value of the financial instruments classified in this category, as well as of the item hedged, are recorded in counter entry to income (loss) for the period. and
- ii. Cash flow hedge** - Derivative financial instruments classified in this category have their adjustments to market value recorded in shareholders' equity, net of tax impacts.

Derivative financial instruments that do not fulfill the hedge criteria have their adjustments to market value recorded directly in income for the period.

For financial instruments traded in association with funding operations, both the financial instrument and the liabilities are accounted for by the intrinsic conditions contracted, and are not adjusted by the market value.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

f. Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loan and lease operations, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment of the risk levels involved, taking into consideration the economic situation, past experience and specific risks in relation to the operation, the debtors and guarantors, overdue payment period, and economic group, observing the parameters established by BACEN, which requires the analysis of the portfolio and its rating at nine levels, ranging from AA (minimum risk) to H (maximum risk). In relation to the period of overdue payment verified in retail operations with a term of over thirty-six (36) months, a double count is permitted over intervals of overdue defined for the nine levels. Income from loans overdue for more than 60 days, regardless of their level of risk, are only recognized as income when effectively received.

Operations rated at level H continue in this status for 180 days, when they are written off against the existing provision and controlled in memorandum accounts. Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. Renegotiations of loans that had already been written off against provision that were in memorandum accounts are rated as H and any gains from renegotiation are recognized as income when effectively received.

The allowance for doubtful accounts, considered sufficient by management, complies with the minimum requirement established by current regulation.

Loan and lease operations that are subjects of hedges of derivative financial instruments are stated at market value using consistent and verifiable criterion. The adjustments of valuation at market value of these operations are recorded, when positive, in Other Receivables - Sundry, and, when negative, in Other Liabilities - Sundry, in counter entry to income from loans and income from leases.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

g. Prepaid expenses

Funds applied in prepayments, where the benefits or rendering of services are to occur in future periods, are recorded.

h. Accounting estimates

Preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management use its judgment in determining and recording accounting estimates, when applicable. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. The management reviews the estimates and assumptions at least monthly.

i. Permanent assets

- i.** Investments in equity interest are valued using the equity method. Other permanent investments are valued at cost of acquisition less allowance for losses, when applicable;
- ii.** Property, plant and equipment stated at acquisition cost, less accumulated depreciation. Depreciation of fixed assets is calculated using the straight line method, based on the following annual rates: installations, furniture and equipment in use - 10%, communication, security and transportation system - 10% and data processing systems - 20%;
- iii.** Deferred charges are shown at acquisition or formation cost, less the respective amortization. Amortization is calculated by the straight-line method, based on the period over which the benefit is generated; and
- iv.** Intangible Assets include rights relating to intangibles that are intended for the maintenance of the company or exercised for this purpose. Amortization is calculated by the straight-line method, based on the period over which the benefit is generated.

Non-financial assets are subject to evaluation of the recoverable value yearly. As of June 30, 2010, no relevant assets having an indication of loss due to devaluation were found.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

j. Income and social contribution taxes

Income tax was determined with a basis on the rate of 15%, plus a surcharge of 10%, and social contribution was determined with a basis on the rate of 15%, both applicable to the taxable income.

The tax credit for income tax and social contribution tax credits are formed in accordance with a study of future realization prepared by Management. Deferred income tax is recognized at the subsidiary BV Leasing, calculated at the rate of 25%, on the adjustment of excess of depreciation of the lease portfolio.

k. Contingent assets and liabilities and legal obligations

The recognition, measuring and disclosure of contingent assets, contingent liabilities and legal obligations are carried out according to the following criteria:

- i. Contingent assets** - These are not recorded except when Management has full control over the situation or when there are secured guarantees or favorable sentences to which no further appeals are applicable, characterizing a favorable judgment as practically certain.
- ii. Contingent liabilities** - These are recognized in the financial statements when, based on the opinion of the legal counsel and of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance. Contingent liabilities classified as possible losses are not accounted for, and should only be disclosed in the notes to the financial statements, whereas those classified as remote do not require provision and disclosure; and
- iii. Legal obligations - Taxes payable** - Are lawsuits related to tax obligations, where the subject being contested is their legality or constitutionality which, regardless of the probability of success of the lawsuits in progress, have their amounts recognized in full in the financial statements.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

1. Other assets and liabilities

Assets are stated at realizable values, including, when applicable, monetary and exchange variations earned (on a pro rata daily basis) and a provision for losses, when considered necessary. Liabilities are stated at known or calculated amounts, plus charges and monetary variations and exchange variations incurred (on a pro rata daily basis).

For purposes of segregation in the balance sheet, in the case of assets and liabilities of indefinite term, operations with assets are classified in noncurrent assets and operations with liabilities in current liabilities.

5 Composition of cash and cash equivalents

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Cash	42,014	310,595	93,497	355,203
Interbank funds invested	<u>6,641,472</u>	<u>39,671,451</u>	<u>6,675,286</u>	<u>25,342,192</u>
Cash and cash equivalents	<u>6,683,486</u>	<u>39,982,046</u>	<u>6,768,783</u>	<u>25,697,395</u>

6 Cash and cash equivalents

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Bank deposits	94	285,239	48,501	328,944
Free reserves	-	4,056	-	4,056
Foreign currency cash	41,661	20,980	44,667	21,566
Other	<u>259</u>	<u>320</u>	<u>329</u>	<u>637</u>
Total	<u>42,014</u>	<u>310,595</u>	<u>93,497</u>	<u>355,203</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

7 Interbank funds applied

	Bank		Consolidated	
	2010	2009	2010	2009
Investments on the money market	<u>13,227,847</u>	<u>23,519,868</u>	<u>13,227,847</u>	<u>23,519,868</u>
Banked position	<u>6,333,835</u>	<u>5,856,217</u>	<u>6,333,835</u>	<u>5,856,217</u>
Financial Treasury Bill	1,099,998	1,238,434	1,099,998	1,238,434
National Treasury Bill	835,989	2,448,768	835,989	2,448,768
National Treasury Notes	4,150,275	1,399,036	4,150,275	1,399,036
Other	247,573	769,979	247,573	769,979
Financed position	<u>6,894,012</u>	<u>17,191,709</u>	<u>6,894,012</u>	<u>17,191,709</u>
Financial Treasury Bill	-	3,944,352	-	3,944,352
National Treasury Bill	5,774,537	2,153,228	5,774,537	2,153,228
National Treasury Notes	1,119,475	11,094,129	1,119,475	11,094,129
Sold position	<u>-</u>	<u>471,942</u>	<u>-</u>	<u>471,942</u>
Financial Treasury Bill	-	471,942	-	471,942
Interbank deposits	27,603,747	21,949,705	2,502,579	2,972,104
Foreign currency investments	<u>58,423</u>	<u>339,085</u>	<u>58,423</u>	<u>339,085</u>
Total	<u>40,890,017</u>	<u>45,808,658</u>	<u>15,788,849</u>	<u>26,831,057</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

8 Securities

a. Composition of the portfolio by category, Domestic and Abroad

Bank	2010			2009		
	Accrual value	Market value (book)	Unrealized gain/(loss)	Accrual value	Market value (book)	Unrealized gain/(loss)
Trading securities						
Domestic	<u>20,877,570</u>	<u>20,927,259</u>	<u>49,689</u>	<u>24,385,999</u>	<u>24,441,807</u>	<u>55,808</u>
Financial Treasury Bill	154,306	154,307	1	111,106	111,109	3
National Treasury Bill	542,345	541,997	(348)	5,011,376	5,013,046	1,670
National Treasury Notes	2,921,567	2,926,007	4,440	3,347,424	3,379,130	31,706
Debentures	16,530,369	16,568,690	38,321	14,974,522	14,981,974	7,452
Agriculture debt titles	65,349	69,876	4,527	109,325	116,149	6,824
Shares listed companies	22,962	22,386	(576)	59,035	61,701	2,666
Rural Product Notes	355,961	357,805	1,844	549,480	554,967	5,487
Promissory notes	284,711	286,191	1,480	223,731	223,731	-
Overseas	<u>4,725,562</u>	<u>4,454,443</u>	<u>(271,120)</u>	<u>2,215,864</u>	<u>2,052,928</u>	<u>(162,936)</u>
Certificates of overseas deposits	-	-	-	494,601	313,167	(181,434)
Brazilian external debt titles	119,779	128,703	8,924	167,381	178,142	10,761
Foreign Treasury	2,868,634	2,869,428	793	981,600	1,019,261	37,661
National Treasury	208,125	207,167	(958)	-	-	-
Other securities	<u>1,529,024</u>	<u>1,249,145</u>	<u>(279,879)</u>	<u>572,282</u>	<u>542,358</u>	<u>(29,924)</u>
Total	<u>25,603,132</u>	<u>25,381,702</u>	<u>(221,432)</u>	<u>26,601,863</u>	<u>26,494,735</u>	<u>(107,128)</u>
Bank						
Securities available for sale						
Domestic	<u>13,230,372</u>	<u>13,111,415</u>	<u>(118,957)</u>	<u>3,125,279</u>	<u>2,956,844</u>	<u>(168,435)</u>
National Treasury Bill	7,672,938	7,649,029	(23,909)	-	-	-
National Treasury Notes	3,153,922	3,167,949	14,027	1,547,326	1,499,180	(48,146)
Shares of non-listed companies	1,166,323	1,073,950	(92,373)	210,002	137,143	(72,859)
Debentures	1,120,496	1,102,403	(18,093)	1,244,865	1,201,533	(43,332)
Certificates of real estate receivables	13,888	15,034	1,146	14,659	17,529	2,870
Financial investment fund quotas	61,773	61,773	-	70,139	70,139	-
Credit right investment fund quotas	41,032	41,277	245	38,288	31,320	(6,968)
Overseas	<u>1,269,583</u>	<u>1,336,142</u>	<u>66,559</u>	<u>1,075,776</u>	<u>1,022,300</u>	<u>(53,476)</u>
Other securities	1,269,583	1,336,142	66,559	1,075,776	1,022,300	(53,476)
Total	<u>14,499,955</u>	<u>14,447,557</u>	<u>(52,398)</u>	<u>4,201,055</u>	<u>3,979,144</u>	<u>(221,911)</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2010			2009		
	Accrual value	Market value (book)	Unrealized gain/(loss)	Accrual value	Market value (book)	Unrealized gain/(loss)
Trading securities						
Domestic	<u>6,860,747</u>	<u>6,926,866</u>	<u>66,118</u>	<u>11,369,116</u>	<u>11,449,283</u>	<u>80,167</u>
Financial Treasury Bill	175,523	175,525	2	113,101	113,104	3
National Treasury Bill	542,345	541,997	(348)	5,011,376	5,013,046	1,670
National Treasury Notes	2,998,659	3,019,530	20,871	3,448,953	3,505,267	56,314
Debentures	487,466	525,786	38,320	227,078	234,530	7,452
Agriculture debt titles	65,349	69,876	4,527	109,325	116,149	6,824
Shares in listed companies	22,980	22,404	(576)	59,638	62,054	2,416
Fund quotas in investment interests	1,432,227	1,432,226	(1)	1,313,619	1,313,619	-
Credit right investment fund quotas	495,525	495,525	-	312,816	312,816	-
Rural Product Notes	355,961	357,805	1,844	549,479	554,967	5,488
Promissory Notes	284,711	286,191	1,480	223,731	223,731	-
Overseas	<u>4,750,783</u>	<u>4,479,662</u>	<u>(271,121)</u>	<u>2,243,186</u>	<u>2,080,253</u>	<u>(162,933)</u>
Brazilian external debt titles	119,779	128,703	8,924	167,381	178,142	10,761
National Treasury	208,125	207,167	(958)	494,601	313,167	(181,434)
Foreign Treasury	2,893,855	2,894,647	792	1,008,922	1,046,586	37,664
Other securities	1,529,024	1,249,145	(279,880)	572,282	542,358	(29,924)
Total	<u>11,611,530</u>	<u>11,406,528</u>	<u>(205,003)</u>	<u>13,612,302</u>	<u>13,529,536</u>	<u>(82,766)</u>
Consolidated						
Securities available for sale						
Domestic	<u>13,784,216</u>	<u>13,665,257</u>	<u>(118,959)</u>	<u>3,718,847</u>	<u>3,509,856</u>	<u>(208,991)</u>
National Treasury Bill	7,672,938	7,649,029	(23,909)	-	-	-
National Treasury Notes	3,153,922	3,167,949	14,027	1,547,326	1,499,180	(48,146)
Shares of non-listed companies	1,166,323	1,073,950	(92,373)	210,002	137,143	(72,859)
Debentures	1,120,496	1,102,403	(18,093)	1,244,865	1,201,533	(43,332)
Certificates of real estate receivables	13,888	15,034	1,146	14,659	17,529	2,870
Financial investment fund quotas	63,610	63,609	(1)	70,139	70,139	-
Credit right investment fund quotas	593,039	593,283	244	631,856	584,332	(47,524)
Overseas	<u>1,269,583</u>	<u>1,336,142</u>	<u>66,559</u>	<u>1,075,776</u>	<u>1,022,300</u>	<u>(53,476)</u>
Other securities	1,269,583	1,336,142	66,559	1,075,776	1,022,300	(53,476)
Total	<u>15,053,799</u>	<u>15,001,399</u>	<u>(52,400)</u>	<u>4,794,623</u>	<u>4,532,156</u>	<u>(262,467)</u>

b. Composition of portfolio by maturity brackets

The maturities of the instruments, regardless of their accounting classification, were considered in the distribution of terms.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Trading securities				
Without due dates	196,972	63,072	2,124,742	1,689,860
Within 90 days	478,047	1,188,286	503,265	1,214,296
From 91 to 360 days	1,987,318	2,403,282	1,987,318	1,852,588
From 1 to 3 years	4,371,992	5,038,917	4,377,133	5,039,216
From 3 to 5 years	1,335,750	1,220,997	1,444,111	1,347,193
Over 5 years	<u>17,011,623</u>	<u>16,580,181</u>	<u>969,959</u>	<u>2,386,383</u>
Total	<u>25,381,702</u>	<u>26,494,735</u>	<u>11,406,528</u>	<u>13,529,536</u>
Securities available for sale				
Without due dates	1,135,723	207,282	1,137,559	760,294
Within 90 days	16,384	14,282	16,385	14,282
From 91 to 360 days	619,273	142,267	610,479	142,267
From 1 to 3 years	9,145,830	605,549	9,145,830	605,549
From 3 to 5 years	395,138	77,925	395,139	77,925
Over 5 years	<u>3,135,209</u>	<u>2,931,839</u>	<u>3,696,007</u>	<u>2,931,839</u>
Total	<u>14,447,557</u>	<u>3,979,144</u>	<u>15,001,399</u>	<u>4,532,156</u>

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Notes to the financial statements

(In thousands of Reais)

9 Derivative financial instruments

a. Composition of the derivative financial instruments in assets and liabilities

	Bank		Consolidated	
	2010	2009	2010	2009
Assets				
Differential receivable from swap	2,673,201	3,138,182	938,321	1,488,760
Forward contracts	352	-	352	-
Purchase of call options - Shares	9,167	70	9,167	70
Purchase of put options - Shares	-	2,280	-	2,280
Purchase of call options - Financial asset/commodities	211,661	69,950	211,661	69,951
Purchase of put options - Financial asset/commodities	451,958	167,749	451,958	167,749
Non-Deliverable Forward (NDF)	69,222	144,691	69,222	144,691
Other	<u>99,141</u>	<u>163,927</u>	<u>99,142</u>	<u>163,926</u>
Total	<u>3,514,702</u>	<u>3,686,849</u>	<u>1,779,823</u>	<u>2,037,427</u>
Liabilities				
Differential payable from swap	781,563	428,719	1,374,329	814,944
Forward contracts	9,503	-	9,503	-
Sale of call options - Shares	4,883	59	4,883	59
Sale of put options - Shares	-	1,161	-	1,161
Sale of call options - Financial asset/commodities	204,629	15,353	204,629	15,353
Sale of put options - financial asset/commodities	77,427	216,252	77,427	216,252
Option Box - Fixed income strategy – CETIP	21,546,939	20,279,926	3,794,897	2,204,398
Non-Deliverable Forward (NDF)	63,237	87,366	63,237	87,366
Other	<u>115,831</u>	<u>12,133</u>	<u>115,830</u>	<u>12,133</u>
Total	<u>22,804,012</u>	<u>21,040,969</u>	<u>5,644,735</u>	<u>3,351,666</u>

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Notes to the financial statements

(In thousands of Reais)

b. Composition of the swap contracts by index

Bank	2010			2009		
	Original value	Accrual value	Market value	Original value	Accrual value	Market value
Asset position	<u>58.198.084</u>	<u>66.130.680</u>	<u>66.466.571</u>	<u>38.542.335</u>	<u>42.067.227</u>	<u>43.378.578</u>
DI (Interbank deposits rates)	11,855,288	13,687,091	13,670,061	10,537,778	11,462,015	12,370,916
Dollar	8,533,582	8,679,707	8,783,860	2,638,556	3,130,750	2,914,727
Euro	640,207	629,112	628,671	13,022	14,092	13,726
IGPM - Inflation index	1,813,868	2,191,093	2,209,715	1,663,134	1,922,622	2,023,232
IPCA - Inflation index	1,812,936	2,227,632	2,229,222	918,323	984,048	993,221
Pre-Fixed rates	32,503,132	37,683,850	37,913,421	22,415,794	24,144,761	24,642,402
Commodities	1,039,071	1,032,196	1,031,620	355,728	408,939	420,354
Liability position	<u>58.198.084</u>	<u>64.473.990</u>	<u>64.574.933</u>	<u>38.542.335</u>	<u>40.061.655</u>	<u>40.669.115</u>
DI (Interbank deposits rates)	30,828,565	34,939,373	34,951,071	25,848,709	25,835,162	25,635,949
Dollar	5,762,071	5,927,054	5,982,994	5,122,581	4,782,810	6,038,791
Euro	769,182	763,396	762,865	-	-	-
IGPM - Inflation index	1,720,928	2,173,465	2,194,032	1,482,867	1,968,673	1,899,811
IPCA - Inflation index	2,746,011	3,734,057	3,750,307	1,944,871	2,791,740	2,569,722
Pre-Fixed rates	15,108,275	15,678,976	15,676,573	3,350,697	3,841,510	3,683,195
Yen	89,503	92,635	92,492	-	-	-
Commodities	<u>1,173,549</u>	<u>1,165,032</u>	<u>1,164,599</u>	<u>792,610</u>	<u>841,760</u>	<u>841,647</u>
Total net	-	<u>1,656,691</u>	<u>1,891,638</u>	-	<u>2,005,572</u>	<u>2,709,463</u>
Consolidated						
Asset position	<u>82.838.096</u>	<u>95.034.506</u>	<u>95.181.324</u>	<u>61.250.691</u>	<u>67.695.289</u>	<u>68.210.159</u>
DI (Interbank deposits rates)	31,868,256	38,773,184	38,755,715	30,127,795	32,965,880	33,613,125
Dollar	10,164,397	10,751,418	10,858,705	4,501,154	5,961,882	5,201,061
Euro	640,207	629,112	628,671	13,022	14,092	13,726
Prefixed	35,499,363	39,429,871	39,467,676	1,663,134	1,922,622	2,023,232
Commodities	1,039,071	1,032,196	1,031,620	918,323	984,048	993,221
IGPM - Inflation index	1,813,868	2,191,093	2,209,715	23,652,855	25,412,899	25,912,406
IPCA - Inflation index	1,812,936	2,227,632	2,229,222	374,408	433,866	453,388
Liability position	<u>82.838.097</u>	<u>95.508.085</u>	<u>95.617.332</u>	<u>61.250.691</u>	<u>66.964.531</u>	<u>67.536.343</u>
DI (Interbank deposits rates)	52,876,263	60,139,559	60,163,326	29,101,735	30,116,632	31,385,146
Dollar	6,599,100	8,440,917	8,500,535	5,390,906	5,125,889	6,452,665
Euro	769,182	763,396	762,865	-	-	-
IGPM - Inflation index	1,720,928	2,173,465	2,194,032	1,482,867	1,968,673	1,899,811
IPCA - Inflation index	2,746,011	3,734,057	3,750,307	1,944,871	2,791,740	2,569,722
Pre-Fixed rates	16,863,561	18,999,024	18,989,175	22,537,701	26,119,837	24,387,353
Yen	89,503	92,635	92,493	-	-	-
Commodities	<u>1,173,549</u>	<u>1,165,032</u>	<u>1,164,599</u>	<u>792,611</u>	<u>841,760</u>	<u>841,646</u>
Total net	-	<u>(473.579)</u>	<u>(436.008)</u>	-	<u>730.758</u>	<u>673.816</u>

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Notes to the financial statements

(In thousands of Reais)

c. Composition of the NDF contracts by index

Bank and Consolidated	2010		2009	
	Contracted value	Market (book) value	Contracted value	Market (book) value
Asset				
Dollar	1,719,588	68,522	1,295,603	142,336
Euro	8,739	700	140,281	2,343
Other	-	-	150	12
Total	<u>1,728,327</u>	<u>69,222</u>	<u>1,436,034</u>	<u>144,691</u>
Liability				
Dollar	2,001,792	62,845	923,127	69,309
Euro	81	9	43,946	54
Other	4,983	383	374,774	18,003
Total	<u>2,006,856</u>	<u>63,237</u>	<u>1,341,847</u>	<u>87,366</u>

d. Composition of the futures contracts by index

	Bank		Consolidated	
	2010	2009	2010	2009
Purchase commitment	<u>18,161,862</u>	<u>11,200,319</u>	<u>18,189,358</u>	<u>11,200,319</u>
DI	9,164,394	2,753,946	9,191,889	2,753,946
DDI (DI x Dollar spread future contract)	5,823,358	3,495,696	5,823,359	3,495,696
Foreign currency	1,092,863	1,728,552	1,092,863	1,728,552
Commodities	442	359	442	359
Index	146,410	1,165,723	146,410	1,165,723
SCC - (Foreign exchange swap with regular adjustments)	<u>1,934,395</u>	<u>2,056,043</u>	<u>1,934,395</u>	<u>2,056,043</u>
Sales commitment	<u>31,048,639</u>	<u>28,436,563</u>	<u>60,578,006</u>	<u>49,759,120</u>
DI	21,536,104	18,829,053	51,017,956	40,102,092
DDI (DI x Dollar spread future contract)	6,060,750	6,129,541	6,108,265	6,179,059
Foreign currency	1,197,117	1,376,130	1,197,117	1,376,130
T-Note	309,517	-	309,517	-
Index	141	48,801	141	48,801
Commodities	12,930	500	12,930	500
SCC - (Foreign exchange swap with regular adjustments)	1,932,080	2,052,538	1,932,080	2,052,538

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Notes to the financial statements

(In thousands of Reais)

e. Composition of the options contracts by index

Bank and Consolidated	2010		2009	
	Contracted value	Market (book) value	Contracted value	Market (book) value
Purchase position				
Dollar	13,055,281	518,568	31,281	15,433
Index	298,276,816	102,932	27,154,300	20,573
Securities	-	-	427,689	32,697
DI	62,000	2,970	-	-
Shares	4,806	9,167	2,493	2,350
Commodities	257,105	15,793	151,258	37,778
Flexible	<u>3,250,932</u>	<u>23,356</u>	<u>827,638</u>	<u>131,218</u>
Total	<u>314,906,940</u>	<u>672,786</u>	<u>28,594,659</u>	<u>240,049</u>
	2010		2009	
	Contracted value	Market (book) value	Contracted value	Market (book) value
Salesposition				
Dollar	17,267,600	100,471	80,985	197,780
DI	-	-	28,159,500	18,631
Index	367,902,516	112,190	-	-
Shares	3,102	4,883	1,636	1,220
Commodities	245,170	508	134,933	10,147
Flexible	<u>3,456,370</u>	<u>68,887</u>	<u>102,810</u>	<u>5,047</u>
Total	<u>388,874,758</u>	<u>286,939</u>	<u>28,479,864</u>	<u>232,825</u>

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Notes to the financial statements

(In thousands of Reais)

f. Credit derivatives

Bank and Consolidated	2010		2009	
	Contracted value	Market value (book)	Contracted value	Market value (book)
Asset position - Risk transferred	<u>3,165,236</u>	<u>3,174,954</u>	<u>2,978,115</u>	<u>2,981,834</u>
Credit swaps	3,165,236	3,174,954	2,978,115	2,981,834
Liability position - Risk received	<u>8,459,028</u>	<u>8,463,340</u>	<u>365,552</u>	<u>449,236</u>
Credit swaps	8,357,766	8,362,132	232,927	233,399
Others	101,262	101,208	132,625	215,837

g. Composition of the contracts of the fixed income strategy - CETIP

Bank	2010		2009	
	Contracted value	Market value/ risk exposure	Contracted value	Market value/ risk exposure
Pre-fixed risk				
Liability position				
Sale of Call at high limit	7,880,226	4,882,477	8,184,350	6,896,824
Sale of Put at low limit	<u>9,121,654</u>	<u>16,664,462</u>	<u>8,855,648</u>	<u>13,383,102</u>
Total	<u>17,001,880</u>	<u>21,546,939</u>	<u>17,039,998</u>	<u>20,279,926</u>
Dollar risk				
Asset position				
Sale of Put at low limit	-	17,909,901	-	18,301,770
Total	-	<u>17,909,901</u>	-	<u>18,301,770</u>
Liability position				
Sale of Call at high limit	-	17,909,901	-	18,301,770
Total	-	<u>17,909,901</u>	-	<u>18,301,770</u>

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Notes to the financial statements

(In thousands of Reais)

Consolidated	2010		2009	
	Contracted value	Market value/ risk exposure	Contracted value	Market value/ risk exposure
Pre-fixed risk				
Liability position				
Sale of Call at high limit	1,336,630	1,047,414	868,953	695,449
Sale of Put at low limit	<u>2,024,369</u>	<u>2,747,483</u>	<u>1,039,402</u>	<u>1,508,949</u>
Total	<u>3,360,999</u>	<u>3,794,897</u>	<u>1,908,355</u>	<u>2,204,398</u>
Dollar risk				
Asset position				
Sale of Put at low limit	-	<u>3,066,283</u>	-	<u>1,859,133</u>
Total	-	<u>3,066,283</u>	-	<u>1,859,133</u>
Liability position				
Sale of Call at high limit	-	<u>3,066,283</u>	-	<u>1,859,133</u>
Total	-	<u>3,066,283</u>	-	<u>1,859,133</u>

h. Composition of derivative financial instruments by maturity brackets

	Bank		Consolidated	
	2010	2009	2010	2009
Asset/liabilities accounts				
Within 360 days	(19,850,108)	(19,529,323)	579,159	(1,556,383)
Over 360 days	<u>560,798</u>	<u>2,175,203</u>	<u>(4,444,071)</u>	<u>242,144</u>
Total	<u>(19,289,310)</u>	<u>(17,354,120)</u>	<u>(3,864,912)</u>	<u>(1,314,239)</u>

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Notes to the financial statements

(In thousands of Reais)

i. Margin offered in guarantee

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Government securities				
National Treasury Notes	1,385,782	1,387,120	1,408,956	1,411,275
Financial Treasury Bills	81,846	6,323	88,867	6,323
National Treasury Bills	827,592	422,978	827,592	422,978
Overseas bonds	2,360,832	-	2,360,832	-
Others	<u>930,147</u>	<u>-</u>	<u>930,147</u>	<u>-</u>
Total	<u>5,586,199</u>	<u>1,816,421</u>	<u>5,616,394</u>	<u>1,840,576</u>

10 Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

a. Composition of operations by category

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Loans and discounted bills	7,766,457	7,700,908	12,274,191	10,096,326
Financing	3,292,261	3,632,653	24,505,477	20,195,372
Financing Rural and agricultural-industrial	619,397	314,727	619,397	314,727
Financing for infrastructure and development	4,303,052	3,707,348	4,303,052	3,707,348
Financing for exports	90,126	126,224	90,126	126,224
Credit cards - Loans	<u>-</u>	<u>-</u>	<u>111,735</u>	<u>73,174</u>
Subtotal	<u>16,071,293</u>	<u>15,481,860</u>	<u>41,903,978</u>	<u>34,513,171</u>
Securities and guarantees	-	4,703	-	4,703
Advances on foreign exchange/export contracts	426,168	1,004,605	426,168	1,004,605
Other	<u>-</u>	<u>46,818</u>	<u>-</u>	<u>46,818</u>
Total loans	<u>16,497,461</u>	<u>16,537,986</u>	<u>42,330,146</u>	<u>35,569,297</u>
Lease operations	<u>-</u>	<u>-</u>	<u>4,368,775</u>	<u>2,517,740</u>
Total	<u>16,497,461</u>	<u>16,537,986</u>	<u>46,698,921</u>	<u>38,087,037</u>

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Notes to the financial statements

(In thousands of Reais)

b. Composition of operations by maturity brackets

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Loans overdue				
More than 15 days	128,067	121,626	694,718	817,584
Loans to fall due				
Within 90 days	2,515,724	2,559,876	6,689,437	5,383,165
From 91 to 360 days	4,240,201	5,028,441	14,261,505	11,861,101
From 1 to 3 years	5,522,745	6,805,106	17,896,343	14,803,583
From 3 to 5 years	1,955,773	1,981,800	4,953,142	4,195,526
Over 5 years	<u>2,134,951</u>	<u>41,137</u>	<u>2,203,776</u>	<u>1,026,078</u>
Total	<u>16,497,461</u>	<u>16,537,986</u>	<u>46,698,921</u>	<u>38,087,037</u>

c. Concentration of operations

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Ten largest debtors	3,719,268	3,941,376	3,747,195	3,941,376
Fifty largest debtors	4,383,834	5,016,565	4,429,214	5,016,564
One hundred largest debtors	3,260,346	3,173,054	3,309,155	3,173,054
Other debtors	<u>5,134,013</u>	<u>4,406,991</u>	<u>35,213,357</u>	<u>25,956,043</u>
Total	<u>16,497,461</u>	<u>16,537,986</u>	<u>46,698,921</u>	<u>38,087,037</u>

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Notes to the financial statements

(In thousands of Reais)

d. Composition of operations by sector of economic activity

	<u>Bank</u>		<u>Consolidated</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Corporate entities	<u>15,378,871</u>	<u>14,802,309</u>	<u>16,611,309</u>	<u>15,716,714</u>
Public sector	<u>141,492</u>	<u>156,991</u>	<u>141,492</u>	<u>157,925</u>
Financial institutions	-	-	-	934
Services	141,492	156,991	141,492	156,991
Private sector	<u>15,237,379</u>	<u>14,645,318</u>	<u>16,469,817</u>	<u>15,558,789</u>
Industry	8,638,530	9,082,340	8,717,760	9,120,706
Commercial	1,640,718	1,176,421	2,342,588	1,938,433
Rural	657,873	314,579	657,873	314,579
Services	4,272,565	4,071,978	4,723,903	4,185,071
Financial institutions	27,693	-	27,693	-
Individuals	<u>1,118,590</u>	<u>1,735,677</u>	<u>30,087,612</u>	<u>22,370,323</u>
Total	<u>16,497,461</u>	<u>16,537,986</u>	<u>46,698,921</u>	<u>38,087,037</u>

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

Bank	<u>2010</u>			<u>2009</u>		
	<u>Loans to fall due</u>	<u>Loans overdue</u>	<u>Total operations</u>	<u>Loans to fall due</u>	<u>Loans overdue</u>	<u>Total operations</u>
AA	7,683,829	-	7,683,829	7,649,561	-	7,649,561
A	4,004,374	-	4,004,374	4,398,420	-	4,398,420
B	4,106,555	5,158	4,111,713	3,488,078	57,213	3,545,291
C	189,864	20,716	210,580	487,804	27,245	515,049
D	64,234	18,886	83,120	126,224	65,456	191,680
E	125,037	5,514	130,552	1,228	13,817	15,045
F	16	9,010	9,026	23,248	153,771	177,019
G	122,993	62,014	185,007	271	9,304	9,575
H	<u>20,940</u>	<u>58,320</u>	<u>79,261</u>	<u>21,364</u>	<u>14,982</u>	<u>36,346</u>
Total	<u>16,317,842</u>	<u>179,618</u>	<u>16,497,461</u>	<u>16,196,198</u>	<u>341,788</u>	<u>16,537,986</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated	2010			2009		
	Loans to fall due	Loans overdue	Total operations	Loans to fall due	Loans overdue	Total operations
AA	8,187,806	-	8,187,806	8,190,911	-	8,190,911
A	29,805,726	-	29,805,726	22,020,356	-	22,020,356
B	4,200,051	1,225,948	5,425,999	3,558,304	1,166,517	4,724,821
C	232,189	831,372	1,063,561	519,122	770,404	1,289,526
D	84,177	410,425	494,602	141,306	447,053	588,359
E	134,846	247,021	381,867	7,867	223,815	231,682
F	7,250	200,276	207,526	27,496	330,368	357,864
G	129,191	213,535	342,726	3,266	145,028	148,294
H	51,097	738,011	789,108	46,966	488,258	535,224
Total	<u>42,832,333</u>	<u>3,866,588</u>	<u>46,698,921</u>	<u>34,515,594</u>	<u>3,571,443</u>	<u>38,087,037</u>

f. Constitution of allowance for loan losses per level of risk, including operations with loan characteristics and recorded in "Other receivables".

Risk level	Provision %	Bank		Consolidated	
		2010	2009	2010	2009
A	0.5	20,022	21,992	149,029	110,066
B	1	41,117	35,453	54,260	47,249
C	3	6,317	15,451	31,907	38,685
D	10	8,312	19,168	49,460	58,836
E	30	39,165	4,513	114,560	69,505
F	50	4,513	88,510	103,763	178,932
G	70	129,505	6,703	239,908	103,805
H	100	79,261	36,346	789,108	535,224
Subtotal		<u>328,212</u>	<u>228,136</u>	<u>1,531,995</u>	<u>1,142,302</u>
Complementary provision		-	-	-	11,144
Total		<u>328,212</u>	<u>228,136</u>	<u>1,531,995</u>	<u>1,153,446</u>
Percentage of portfolio		<u>1.99%</u>	<u>1.38%</u>	<u>3.28%</u>	<u>3.03%</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

g. Movement of allowance for loan losses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Opening balance	<u>329,815</u>	<u>140,528</u>	<u>1,361,982</u>	<u>776,803</u>
Constitutions/(reversals)	80,455	98,202	870,230	766,778
Write off to losses	(62,968)	(9,883)	(700,217)	(389,424)
Foreign exchange variation on overseas provisions	(<u>19,090</u>)	(<u>711</u>)	-	(<u>711</u>)
Closing balance	<u>328,212</u>	<u>228,136</u>	<u>1,531,995</u>	<u>1,153,446</u>

h. Supplementary information

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Credits renegotiated/amended during the semester	3,639,910	2,183,762	3,691,985	2,321,297
Credits recovered during the year previously written off as losses (*)	30,439	16,305	71,130	67,295
Credits granted during the semester (**)	-	-	5,662,083	1,781,920

(*) Recorded in the statement of income in "Income from loans".

(**) In the semester, receivables portfolios were assigned mostly to the following receivables investment funds: BV Financeira Fundo de Investimento em Direitos Creditórios I, BV Financeira Fundo de Investimento em Direitos Creditórios II, Fundo de Investimentos Creditórios III, and to Banco do Brasil S.A. The income from receivables assignments in the period, net of associated costs and tax effects, was R\$ 208,763. For the balance of assigned receivables, a reserve for possible losses was made in the amount of R\$ 43,481 (2009 - R\$ 41,987), recorded in Other liabilities - Miscellaneous.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

11 Other receivables - Foreign exchange portfolio

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Unsettled foreign exchange purchased	1,171,501	1,721,710	1,171,501	1,721,710
Rights from the sale of foreign exchange	1,052,915	545,571	1,052,915	545,571
Advances in domestic currency received	(273,076)	(1,010)	(273,076)	(1,010)
Income receivable from advances granted	20,198	46,808	20,198	46,808
Income receivable from financed imports	<u> -</u>	<u> 9</u>	<u> -</u>	<u> 9</u>
Total	<u>1,971,538</u>	<u>2,313,088</u>	<u>1,971,538</u>	<u>2,313,088</u>

12 Other receivables - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Exchanges - Deposits in guarantee	-	129,777	-	146,792
Clearing department	6,481	-	34,937	-
Debtors account settlement pending	-	8,475	19,176	13,191
BM&F settlement operations	57,904	86,182	88,136	86,182
Other	<u>13,093</u>	<u> -</u>	<u>13,660</u>	<u> -</u>
Total	<u>77,478</u>	<u>224,434</u>	<u>155,909</u>	<u>246,165</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

13 Other receivables - Sundry

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Advances on salaries and vacation	3,634	2,666	11,045	8,163
Tax credits	558,666	398,345	2,137,466	1,272,462
Deposits in guarantee	11,193	8,731	44,864	31,224
Taxes and contributions to compensate	69,911	165,410	273,518	246,937
Options for fiscal incentives	-	23,353	-	43,018
Receivable from associated companies	-	1,167	-	-
Securities and credits receivable	-	-	-	1,514
Market adjustments - loans	212,992	94,276	615,201	612,637
Market adjustments - lease	-	-	91,668	105,177
Costs associated with lease operations	-	-	345,370	172,279
Other	<u>72,254</u>	<u>103,028</u>	<u>385,470</u>	<u>242,237</u>
Total	<u>928,650</u>	<u>796,976</u>	<u>3,904,602</u>	<u>2,735,648</u>

14 Other assets - Prepaid expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Rental equipment	1,400	-	1,400	-
Systems development and maintenance	4,070	-	4,267	-
Commission for intermediation of operations	-	-	253,881	266,506
Financial system service expenses	3,915	-	20,636	3,093
Third-party service expenses	230	-	15,614	-
Other	<u>1,333</u>	<u>4,157</u>	<u>7,214</u>	<u>14,478</u>
Total	<u>10,948</u>	<u>4,157</u>	<u>303,012</u>	<u>284,077</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

15 Investments

a. Equity in the income of subsidiaries Domestic and abroad

	Movements for the subsidiary					Movements for controlling honored				
	Number of shares/quotas at 12/31/09	Capital at 12/31/09	Shareholders' equity at 12/31/09	Income/(loss) for the period	Adjustments directly to shareholders' equity	Shareholders' equity at 06/30/10	Number of shares/quotas held	Equity in earnings of subsidiaries	Book value at 06/30/10	Book value at 06/30/09
Domestic	-	-	-	-	-	-	-	293,306	2,801,253	2,310,605
Votorantim CTVM Ltda.	20,181	59,250	241,829	5,495	-	247,324	20,177	5,494	247,276	233,696
Votorantim Asset Manag. DTVM Ltda.	9,000,000	9,000	38,754	13,970	-	52,724	8,999,820	13,969	52,724	27,252
BV Financeira S.A.	126,361	342,000	947,819	241,460	-	1,189,279	126,361	241,460	1,189,279	755,037
BV Leasing Arred. Merc. S.A.	510,404	966,200	1,279,590	32,384	-	1,311,974	510,404	32,383	1,311,974	1,294,620
BVIP - BV Investimentos e Participações S.A.	-	-	-	-	-	-	1,000	-	-	-
Overseas	-	-	-	-	-	-	-	2,575	37,849	4,532
Votorantim Bank Limited	10,000,000	17,412	33,370	740	1,155 *	35,265	9,999,999	1,895	35,265	1,464
Banco Votorantim Securities, Inc.	5,000,000	8,706	1,904	632	48 *	2,584	5,000,000	680	2,584	3,068

(*) Includes exchange rate variation of shareholders' equity and net income from investments abroad.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

b. Other investments

	Bank		Consolidated	
	2010	2009	2010	2009
Investments in government incentives	27,335	4,392	61,917	10,253
Membership certificates	175	176	176	177
Shares and quotas	6	386	6	1,142
Other	<u>99</u>	<u>99</u>	<u>129</u>	<u>1,512</u>
Total	<u>27,615</u>	<u>5,053</u>	<u>62,228</u>	<u>13,084</u>

16 Fixed assets for use

Bank	2010			2009
	Cost	Depreciation	Net	Net
Fixed assets in progress	111	-	111	-
Facilities	-	-	-	627
Furniture and equipment for use	30,183	7,478	22,705	9,445
Communication system	7,251	3,747	3,504	3,414
Data processing system	31,831	19,429	12,402	7,074
Security system	2,018	437	1,581	517
Transportation system	<u>1,242</u>	<u>1,131</u>	<u>111</u>	<u>282</u>
Total	<u>72,636</u>	<u>32,222</u>	<u>40,414</u>	<u>21,359</u>
Consolidated	2010			2009
	Cost	Depreciation	Net	Net
Fixed assets in progress	111	-	111	-
Facilities	2,691	1,297	1,394	2,322
Furniture and equipment for use	44,511	12,338	32,173	17,386
Communication system	11,732	5,599	6,133	7,967
Data processing system	63,344	37,254	26,090	22,227
Security system	2,047	448	1,599	560
Transportation system	<u>1,892</u>	<u>1,400</u>	<u>492</u>	<u>422</u>
Total	<u>126,328</u>	<u>58,336</u>	<u>67,992</u>	<u>50,884</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

17 Deferred charges

Bank	2010			2009
	Cost	Amortization	Net	Net
Leasehold expenditures	<u>32,533</u>	<u>1,729</u>	<u>30,804</u>	<u>10,711</u>
Total	<u>32,533</u>	<u>1,729</u>	<u>30,804</u>	<u>10,711</u>

Consolidated	2010			2009
	Cost	Amortization	Net	Net
Leasehold expenditures	78,340	33,501	44,839	24,814
Expenditures acquisition development	<u>1,747</u>	<u>937</u>	<u>810</u>	<u>2,468</u>
Total	<u>80,087</u>	<u>34,438</u>	<u>45,649</u>	<u>27,282</u>

18 Intangible assets

Bank	Amortization rate	2010			2009
		Cost	Accrued amortization	Net	Net
Corporate Projects	-	<u>2,904</u>	<u>-</u>	<u>2,904</u>	<u>-</u>
Total		<u>2,904</u>	<u>-</u>	<u>2,904</u>	<u>-</u>

Consolidated	Amortization rate	2010			2009
		Cost	Accrued amortization	Net	Net
SISBEX BMF&Bovespa	-	200	-	200	-
Software with no Physical Substance	20%	1,628	419	1,209	-
Licenses	20%	8,225	1,382	6,843	-
Rights due to trade agreement	-	5,000	-	5,000	-
Corporate projects	-	<u>2,903</u>	<u>-</u>	<u>2,903</u>	<u>4,681</u>
Total		<u>17,956</u>	<u>1,801</u>	<u>16,155</u>	<u>4,681</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

19 Deposits

a. Composition of portfolio by modality

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Demand deposits	257,881	106,625	285,230	110,356
Interbank deposits	1,062,145	4,125,509	749,535	3,887,599
Time deposits	23,212,306	19,826,009	23,201,684	19,826,009
Deposits for investments	<u>2,986</u>	<u>1,930</u>	<u>2,832</u>	<u>1,793</u>
Total	<u>24,535,318</u>	<u>24,060,073</u>	<u>24,239,282</u>	<u>23,825,757</u>

b. Composition of portfolio by maturity brackets

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Without due dates	260,867	106,625	288,062	110,356
Within 90 days	8,995,348	6,479,466	8,736,169	6,264,228
From 91 to 360 days	10,523,659	11,451,591	10,523,659	11,451,590
From 1 to 3 years	4,646,420	5,723,837	4,582,368	5,701,029
From 3 to 5 years	95,181	275,329	95,181	275,329
Over 5 years	<u>13,843</u>	<u>23,225</u>	<u>13,843</u>	<u>23,225</u>
Total	<u>24,535,318</u>	<u>24,060,073</u>	<u>24,239,282</u>	<u>23,825,757</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

20 Money market repurchase commitments

a. Composition of portfolio by counterparty

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
From related parties	-	931,109	-	-
From non-related parties	<u>32,894,958</u>	<u>33,290,186</u>	<u>31,787,264</u>	<u>33,290,186</u>
Total	<u>32,894,958</u>	<u>34,221,295</u>	<u>31,787,264</u>	<u>33,290,186</u>

b. Composition of portfolio by maturity brackets

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Within 90 days	12,568,016	24,588,586	12,531,017	23,657,477
From 91 to 360 days	15,636,461	6,469,868	14,565,766	6,469,868
From 1 to 3 years	4,593,603	3,073,121	4,593,603	3,073,121
From 3 to 5 years	-	89,720	-	89,720
Over 5 years	<u>96,878</u>	<u>-</u>	<u>96,878</u>	<u>-</u>
Total	<u>32,894,958</u>	<u>34,221,295</u>	<u>31,787,264</u>	<u>33,290,186</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

21 Acceptances and endorsements

a. Composition of portfolio by modality

		<u>Bank</u>		<u>Consolidated</u>	
		2010	2009	2010	2009
Debentures					
With exchange rate variation	(a)	-	-	1,699,552	1,256,847
Post-fixed	(b)	-	-	1,372,019	1,832,221
Funds from real estate credit notes					
Post-fixed	(c)	26,371	46,261	26,371	46,261
Funds from agricultural credit bills					
Post-fixed	(c)	1,767,597	2,069,169	1,767,597	2,069,169
Obligations from overseas securities					
With exchange rate variation		<u>2,654,426</u>	<u>787,055</u>	<u>2,654,426</u>	<u>787,055</u>
Total		<u>4,448,394</u>	<u>2,902,485</u>	<u>7,519,965</u>	<u>5,991,553</u>

(a) Interest rate: Exchange variation dollar+12.0436% p.a.

(b) Interest rate: DI + 0.35% p.a.

(c) Interest rate: corresponds to 90% of DI (Interbank report rate).

b. Composition of portfolio by maturity brackets

		<u>Bank</u>		<u>Consolidated</u>	
		2010	2009	2010	2009
From 0 to 360 days		1,517,173	1,811,153	1,517,173	1,811,153
Over 1 year		<u>2,931,221</u>	<u>1,091,332</u>	<u>6,002,792</u>	<u>4,180,400</u>
Total		<u>4,448,394</u>	<u>2,902,485</u>	<u>7,519,965</u>	<u>5,991,553</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

22 Liabilities from borrowings and repasses

a. Composition of portfolio by modality

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Domestic on-lending				
With exchange rate variation	34,735	796,856	34,735	796,856
Overseas on-lending				
With exchange rate variation	4,524,547	3,375,057	4,524,547	3,375,057
Domestic on-lending - BNDES				
Post-fixed	(a) 3,249,772	2,865,746	3,249,772	2,865,746
Domestic on-lending -FINAME				
Post-fixed	(b) <u>1,815,220</u>	<u>1,175,163</u>	<u>1,845,866</u>	<u>1,210,483</u>
Total	<u>9,624,274</u>	<u>8,212,822</u>	<u>9,654,920</u>	<u>8,248,142</u>

(a) In 2010, interest rate: 1.5% p.a. to 16.6% p.a. or long-term interest rate (TJLP) / exchange rate variation. + 1.30% p.a. to 11.5% p.a.

(b) In 2010, interest rate: 0.3% p.a. at 11.00% p.a. or long-term interest rate (TJLP) / exchange variation + 6.50% p.a. to 11.50% p.a.

b. Composition of portfolio by maturity brackets

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Within 90 days	1,112,902	1,920,189	1,112,902	1,920,189
From 91 to 360 days	3,247,309	3,644,607	3,243,697	3,657,031
From 1 to 3 years	4,132,810	2,277,335	4,167,068	2,300,231
From 3 to 5 years	520,653	342,869	520,653	342,869
Over 5 years	<u>610,600</u>	<u>27,822</u>	<u>610,600</u>	<u>27,822</u>
Total	<u>9,624,274</u>	<u>8,212,822</u>	<u>9,654,920</u>	<u>8,248,142</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

23 Other liabilities - Foreign exchange portfolio

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Unsettled foreign exchange sold	1,050,474	618,243	1,050,474	618,243
Obligations from the purchase of foreign currency	1,188,330	1,728,573	1,188,330	1,728,573
Advances against exchange contract	(405,969)	(1,004,605)	(405,969)	(1,004,605)
Other	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>
Total	<u>1,832,847</u>	<u>1,342,211</u>	<u>1,832,847</u>	<u>1,342,211</u>

24 Other liabilities - Social and statutory

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Dividends/interest on own capital/Benefits payable	303,242	381,997	303,242	381,997
Provision for profit sharing	65,391	35,451	198,192	137,154
Bonuses and profit-sharing payable	<u>97</u>	<u>-</u>	<u>97</u>	<u>-</u>
Total	<u>368,730</u>	<u>417,448</u>	<u>501,531</u>	<u>519,151</u>

25 Other liabilities - Taxes payable

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Income and social contributions taxes payable	20,464	42,816	328,017	216,332
Taxes and contributions payable	32,184	28,428	58,763	61,493
Other taxes and contributions (Legal obligations)	-	8,768	-	11,681
Provision for deferred taxes and contributions	198,106	185,500	1,038,363	660,361
Provision for tax risks	<u>515,756</u>	<u>448,002</u>	<u>1,220,562</u>	<u>906,374</u>
Total	<u>766,510</u>	<u>713,514</u>	<u>2,645,706</u>	<u>1,856,241</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

26 Other liabilities - Securities clearing accounts

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Clearing department	1	3,153	70	3,339
Creditors account settlement pending	181	10,655	64,541	36,928
Creditors for share loans	-	8,449	-	8,449
Operations with financial assets and commodities to settle	340,086	8,975	340,086	11,943
Financing release	-	43,453	-	43,453
Other	<u>12,754</u>	<u>1,483</u>	<u>13,248</u>	<u>1,511</u>
Total	<u>353,022</u>	<u>76,168</u>	<u>417,945</u>	<u>105,623</u>

27 Other liabilities - Subordinated debts

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Bank deposit certificates				
Post-fixed	4,480,131	1,471,238	3,079,016	1,471,238
Debentures				
Post-fixed	-	-	1,375,370	1,375,947
Subordinated Note				
Pre-fixed	<u>-</u>	<u>-</u>	<u>1,401,115</u>	<u>-</u>
Total	<u>4,480,131</u>	<u>1,471,238</u>	<u>5,855,501</u>	<u>2,847,185</u>

Consolidated - 2010

	<u>Issue date</u>	<u>Maturity date</u>	<u>Index</u>	<u>Nominal rate</u>	<u>Balance</u>
Time Deposits	11/27/2007	11/27/2012	DI	0.491417	823,170
Time Deposits	12/03/2007	12/03/2012	DI	0.491417	22,351
Time Deposits	12/03/2007	12/03/2012	DI	0.540556	508,542
Time Deposits	12/04/2007	12/04/2012	DI	0.540556	18,027
Time Deposits	08/06/2009	08/06/2014	DI	1.670229	569,058

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Consolidated - 2010					
	Issue date	Maturity date	Index	Nominal rate	Balance
Time Deposits	12/07/2009	12/08/2014	DI	1.635268	529,186
Time Deposits	12/07/2009	12/08/2014	DI	1.674668	105,860
Time Deposits	12/08/2009	12/09/2014	DI	1.674668	158,732
Time Deposits	12/22/2009	12/23/2014	DI	1.674668	21,081
Time Deposits	12/03/2007	12/03/2012	IGPM	7.219701	90,423
Time Deposits	03/18/2008	03/18/2013	IPCA	7.934241	154,783
Time Deposits	08/17/2009	08/17/2014	IPCA	7.855736	16,778
Time Deposits	08/17/2009	08/17/2014	IPCA	7.924428	11,751
Time Deposits	08/17/2009	08/17/2014	IPCA	8.002932	43,676
Time Deposits	08/18/2009	08/18/2014	IPCA	7.953867	5,598
Subordinated Note	01/20/2010	01/21/2020	Fixed	7.380000	1,401,115
Debentures	04/20/2006	04/20/2016	DI	0.500000	<u>1,375,370</u>
Total					<u>5,855,501</u>

28 Other liabilities - Sundry

	Bank		Consolidated	
	2010	2009	2010	2009
Provision for personnel expenses	22,800	12,369	63,602	36,294
Provision other administrative expenses	5,196	10,652	70,761	46,138
Provision for contingent liabilities	14,807	4,985	138,825	76,402
Securities purchased	-	272,164	-	272,164
Amounts to on-lend credit assignment	-	-	243,689	109,848
Other - Credit card	-	-	135,506	73,188
Credit operations to liberate	-	-	75,461	36,853
Lease operations to liberate	-	-	2,942	24,226
Other	<u>76,042</u>	<u>2,186</u>	<u>419,083</u>	<u>199,758</u>
Total	<u>118,845</u>	<u>302,356</u>	<u>1,149,869</u>	<u>874,871</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

29 Shareholders' equity

a. Capital

Capital is represented by 81,538,822,950 nominative shares, 66,713,582,406 of which are common shares with no par value and 14,825,240,544 nominative preferred shares with no par value.

b. Dividends

Shareholders are assured a minimum compulsory dividend equivalent to 25% of net profit for each period, deducted from the statutory reserve. Management proposes the payment of dividends from the profit in the period in the amount of R\$ 112,821.

c. Capital reserve

Capital reserve is formed by premium on the subscription of shares, in the amount of R\$585,103, and fiscal incentive subsidies/revaluation of membership certificates in the amount of R\$ 31,946. The capital reserve can be used for capital increase or to offset loss.

d. Profit reserve

Legal reserve

Formed compulsorily on the basis of 5% of net income for the period, until it reaches 20% of the capital stock. Legal reserve may not be formed when the result of its addition to capital reserves is greater than 30% of capital stock. The legal reserve can only be used for capital increase or to offset loss.

Expansion reserve

To meet requirements arising from corporate law and Central Bank rules, at year end, Management proposes the allocation of undistributed profit to the "Expansion reserve", to be set up after the allocations to the legal reserve and payment of dividends, if any. The reserve balance is at disposal of shareholders for future deliberations in the General Meeting.

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

Fiscal incentive reserve

Comprising mostly of a portion of net income arising from tax incentives.

30 Service fee income

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Administration of investment funds	-	-	51,761	39,034
Brokerage exchange operations	-	-	13,742	16,148
Commissions on placing of securities	35,144	10,530	35,711	10,543
Services rendered related parties	3,480	6,984	-	-
Income from guarantees provided	81,373	43,071	81,373	43,071
Collection revenues	2,306	1,501	2,306	1,501
Other	<u>15,307</u>	<u>8,518</u>	<u>25,583</u>	<u>39,860</u>
Total	<u>137,610</u>	<u>70,604</u>	<u>210,476</u>	<u>150,157</u>

31 Personnel expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Fees	6,560	6,300	13,264	12,883
Benefits	13,293	10,545	53,028	38,210
Social security charges	29,360	21,049	71,418	55,126
Salaries	80,723	58,280	199,448	156,571
Training	<u>1,930</u>	<u>837</u>	<u>2,952</u>	<u>1,416</u>
Total	<u>131,866</u>	<u>97,011</u>	<u>340,110</u>	<u>264,206</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

32 Other administrative expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Rental	17,577	9,674	48,636	19,031
Communications	5,349	4,690	48,334	38,292
Maintenance and conservation of fixed assets	3,266	1,322	6,370	16,061
Data processing	28,102	25,229	48,870	47,181
Promotions and public relations	4,020	1,314	10,273	6,494
Publicity and advertising	1,288	23	24,810	3,366
Publications	1,204	1,961	1,355	2,509
Financial system services	27,519	4,433	87,304	60,768
Outsourced services	1,488	1,489	9,198	33,619
Specialized technical services	48,888	17,855	233,214	96,393
Amortization	1,062	1,203	6,641	7,434
Depreciation	3,320	2,025	6,858	5,662
Transportation	2,147	595	9,977	5,936
Travel	2,809	2,124	17,639	15,632
Legal fees	-	3,093	60,908	39,814
Other	<u>7,957</u>	<u>5,917</u>	<u>71,211</u>	<u>57,596</u>
Total	<u>155,996</u>	<u>82,947</u>	<u>691,598</u>	<u>455,788</u>

33 Tax expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
PIS	4,110	5,270	26,915	21,593
COFINS	25,434	32,635	167,534	134,328
ISS	6,622	3,482	27,418	16,978
Other	<u>3,292</u>	<u>411</u>	<u>5,455</u>	<u>2,485</u>
Total	<u>39,458</u>	<u>41,798</u>	<u>227,322</u>	<u>175,384</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

34 Other operating income

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Costs associated with loans transactions	-	-	802,934	389,061
Recovery of charges and expenses	218	100	10,015	95,286
Monetary corrections of assets	817	346	2,202	1,291
Reversal of operating provisions	334	51	493	1,982
Foreign exchange variations	22,971	-	24,167	-
Other	<u>-</u>	<u>29,114</u>	<u>28,955</u>	<u>40,944</u>
Total	<u>24,340</u>	<u>29,611</u>	<u>868,766</u>	<u>528,564</u>

35 Other operating expenses

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Monetary corrections of liabilities	13,944	18,779	35,642	37,445
Exchange variance overseas investments	-	193,028	-	193,746
Commissions paid for acting as intermediary	2,535	20,822	855,095	709,108
Provision for contingent liabilities	5	2,019	27,520	17,355
Commercial agreement	-	-	251,975	73,792
Discounts granted	106	-	117,525	155,871
Other	<u>1,637</u>	<u>-</u>	<u>34,149</u>	<u>107,879</u>
Total	<u>18,227</u>	<u>234,648</u>	<u>1,321,906</u>	<u>1,295,196</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

36 Income and social contribution taxes

a. Charges due on operations

	Bank		Consolidated	
	2010	2009	2010	2009
Income before income and social contribution taxes and profit share	<u>587,870</u>	<u>518,632</u>	<u>890,145</u>	<u>670,647</u>
Charges at the nominal rates	<u>(235,148)</u>	<u>(207,452)</u>	<u>(356,058)</u>	<u>(268,259)</u>
Exclusions/(additions)	<u>238,897</u>	<u>164,635</u>	<u>38,801</u>	<u>51,928</u>
Profit sharing	-	15,862	-	53,630
Tax loss carry forward for IR and CS	110	18,355	(202,792)	(93,796)
Equity in earnings of subsidiary	118,352	85,062	-	-
Interest on own capital	-	100,000	-	100,000
Allowance for loan losses	(3,585)	(28,458)	(149,856)	(212,538)
Market value adjustment - Derivatives	60,080	(5,726)	53,455	(8,181)
Market value adjustment – Securities	3,705	(27,660)	609	29,854
Market value adjustment – Loans	852	83,347	30,301	153,316
Derivatives - Law 11051	14,966	14,342	14,268	1,870
Provision for contingent liabilities	-	(793)	(10,965)	(6,376)
Excess depreciation from the lease portfolio	-	-	217,215	126,716
Other	44,417	(89,696)	86,566	(92,567)
Current income and social contribution taxes	<u>3,749</u>	<u>(42,817)</u>	<u>(317,257)</u>	<u>(216,331)</u>
Deferred income and social contribution taxes	<u>(45,966)</u>	<u>(35,619)</u>	<u>(284,668)</u>	<u>(229,480)</u>
Total income tax and social contribution	<u>(42,217)</u>	<u>(78,436)</u>	<u>(601,925)</u>	<u>(445,811)</u>

b. Deferred income and social contribution taxes with an impact on result

	Bank		Consolidated	
	2010	2009	2010	2009
Deferred income and social contribution taxes				
Additions/(exclusions)				
Market value adjustment - Securities	-	27,660	4,665	29,869
Market value adjustment - Derivatives	(60,080)	5,726	(53,783)	6,341
Market value adjustment - Loans	(852)	(83,347)	(30,301)	(153,316)
Derivatives - Law 11051	14,966	14,342	14,966	14,342
Excess depreciation from the lease operations	-	-	(217,215)	(126,716)
Other	-	-	(3,000)	-
Total	<u>(45,966)</u>	<u>(35,619)</u>	<u>(284,668)</u>	<u>(229,480)</u>

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Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2010	2009	2010	2009
Tax credit				
Additions/(exclusions)				
Allowance for loan losses	3,585	28,458	149,856	212,538
Tax loss and negative social contribution base	(110)	(18,355)	202,792	93,796
Market value adjustment - Securities	3,705	-	4,056	(15)
Market value adjustment - Derivatives	-	-	328	1,840
Provision for contingent liabilities	-	793	10,965	6,376
Provision for profit share	-	(15,862)	-	(53,630)
Derivatives - Law 11051	-	-	(698)	(16,212)
Others	<u>237</u>	<u>-</u>	<u>5,917</u>	<u>9,939</u>
Total	<u>7,417</u>	<u>(4,966)</u>	<u>373,216</u>	<u>254,632</u>

c. Deferred income and social contribution taxes with effects on equity accounts

	Bank		Consolidated	
	2010	2009	2010	2009
Asset (Other receivables - Other)				
Opening balance	575,317	387,862	1,788,321	1,382,681
Allowance for loan losses	(3,585)	(28,458)	149,856	212,538
Tax loss and negative social contribution base	110	18,355	202,792	93,796
Market value adjustment - Securities	(3,705)	-	4,056	(15)
Market value adjustment - Loans	-	-	-	(364,851)
Market value adjustment - Derivatives	-	-	328	1,840
Provision for contingent liabilities	-	793	10,965	6,376
Provision for profit share	-	15,862	-	(53,630)
Derivatives - Law 11051	-	-	(698)	(16,212)
Other	<u>(9,471)</u>	<u>3,931</u>	<u>(18,154)</u>	<u>9,939</u>
Closing balance	<u>558,666</u>	<u>398,345</u>	<u>2,137,466</u>	<u>1,272,462</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	Bank		Consolidated	
	2010	2009	2010	2009
Liabilities (Other liabilities - Tax and social security)				
Opening balance	152,140	149,881	753,695	817,689
Market value adjustment - Securities	-	(27,660)	(4,665)	(29,869)
Market value adjustment - Derivatives	60,080	(5,726)	53,783	(6,341)
Market value adjustment - Loans	852	83,347	30,301	(233,492)
Derivatives - Law 11051	(14,966)	(14,342)	(14,966)	(14,342)
Excess depreciation from the lease operations	-	-	217,215	126,716
Other	-	-	<u>3.000</u>	-
Closing balance	<u>198,106</u>	<u>185,500</u>	<u>1,038,363</u>	<u>660,361</u>

d. Composition of tax credit and its realization estimate

Composition	Bank			
	2010		2009	
	Income tax	Social contribution	Income tax	Social contribution
Tax loss carry forward for IR and CS	<u>353,194</u>	<u>205,472</u>	<u>253,252</u>	<u>145,093</u>
CSLL negative bases/tax losses	132,355	72,968	168,997	94,541
Intertemporal differences	91,510	54,906	52,898	31,738
Market adjustment	<u>129,329</u>	<u>77,598</u>	<u>31,357</u>	<u>18,814</u>
Total	<u>353,194</u>	<u>205,472</u>	<u>253,252</u>	<u>145,093</u>
Composition	Consolidated			
	2010		2009	
	Income tax	Social contribution	Income tax	Social contribution
Tax loss carry forward for IR and CS	<u>1,555,393</u>	<u>582,073</u>	<u>864,535</u>	<u>407,927</u>
Tax loss and negative social contribution base	706,883	72,968	342,227	94,541
Intertemporal differences	620,406	372,243	423,776	254,267
Market adjustment	218,933	131,360	88,400	53,040
Negative adjustments of operations in future liquidation markets	<u>9,171</u>	<u>5,502</u>	<u>10,132</u>	<u>6,079</u>
Total	<u>1,555,393</u>	<u>582,073</u>	<u>864,535</u>	<u>407,927</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	Nominal value	Present value	Nominal value	Present value
2010	104,068	98,535	358,390	339,335
2011	41,369	34,849	453,786	382,266
2012	73,523	55,146	653,058	489,854
2013	140,551	93,869	232,240	155,105
2014	71,900	42,774	111,626	66,407
2015	45,744	24,264	104,770	55,572
2017	902	382	903	382
2020	<u>80,608</u>	<u>24,248</u>	<u>222,693</u>	<u>66,989</u>
Total	<u>558,665</u>	<u>374,067</u>	<u>2,137,466</u>	<u>1,555,910</u>

37 Related party transactions

Related party transactions are carried out at usual market values, terms and average rates in effect at the respective dates and in commutative conditions. Operations involving Banco Votorantim and its subsidiaries were eliminated and also consider absence of risk.

a. Summary of related party transactions

The balances of asset and liability transactions, income and expenses involving unconsolidated related parties are as follows:

	Banco do Brasil (a)	Votorantim (b)
Assets		
Cash	98	-
Interbank accounts	1,291,999	-
Derivative financial instruments	38,651	3,697,077
Other receivables	787	-
Liabilities		
Deposits	-	1,331,765
Derivative financial instruments	65,502	1,994
Other liabilities	365,316	-

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

	Banco do Brasil (a)	Votorantim (b)
Income		
Credit assignment income (gross income)	524,517	-
Interbank accounts	3,307	-
Results from derivative financial instruments	61,066	150,874
Expenses		
Market borrowing operations	-	57,512
Expenses with committed operations	1,850	-
Results from derivative financial instruments	63,526	136,940
Other operational expenses	310	-

(a) Banco do Brasil - Encompass the companies that comprise Banco do Brasil Financial Conglomerate, where the main ones are Banco do Brasil S.A. and Banco Nossa Caixa S.A.

(b) Votorantim - Encompass the companies that comprise Votorantim Industrial Conglomerate, where the main ones are Votorantim Finanças S.A. and Votorantim Industrial S.A.

The balance of derivative financial instruments involving companies of the Votorantim industrial conglomerate is composed mostly by CETIP fixed income strategy agreements.

b. Remuneration of management key personnel

On June 30, 2010, the Bank spent the amount of R\$ 36,438 as compensation for key Management personnel.

	Consolidated
Fees	6,560
Bonuses	21,362
Social charges	<u>8,516</u>
Total	<u>36,438</u>

Banco Votorantim S.A.

Notes to the financial statements

(In thousands of Reais)

38 Contingent assets and liabilities and legal obligations

a. Contingent liabilities

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

Management, based on information from its legal advisors and on the analysis of legal proceedings, classifies contingencies as remote, possible and probable, taking into account the possibilities of loss occurrence. In this context, contingent lawsuits evaluated as presenting a risk of possible unfavorable outcome are not recognized in the books and the principal ones are related to tax matters, in the amount of R\$ 162,991. The Company is party to other contingent lawsuits where there is a possibility of an unfavorable outcome, involving civil matters (public actions on bank tariffs) whose involved amount, in view of their current stage, cannot be determined for disclosure.

The main lawsuits are: IRPJ/CS on the equity income on investments abroad, amounting to R\$ R\$ 31,728 and PIS - EC amounting to R\$ 60,892. In the subsidiaries, the main matters are related to the levy of service tax, in the amount of R\$ 7,067, and demutualization, in the amount of R\$ 7,355.

The position of contingent liabilities classified in the probable category, segregated by nature of the lawsuit and provisions formed, is as follows:

	Bank					
	Tax demands		Civil demands		Labor demands	
	2010	2009	2010	2009	2010	2009
Opening balance	12,505	8,567	-	-	6,095	3,003
Constitutions/(reversals)	(3,606)	-	-	-	(335)	1,982
Monetary corrections	<u>148</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>9,047</u>	<u>8,767</u>	<u>-</u>	<u>-</u>	<u>5,760</u>	<u>4,985</u>

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Notes to the financial statements

(In thousands of Reais)

	Consolidated					
	Tax demands		Civil demands		Labor demands	
	2010	2009	2010	2009	2010	2009
Opening balance	17,846	12,830	31,102	21,909	67,798	37,134
Constitutions/(reversals)	(5,080)	(1,149)	18,612	3,685	8,104	12,674
Monetary corrections	<u>443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>13,209</u>	<u>11,681</u>	<u>49,714</u>	<u>25,594</u>	<u>75,902</u>	<u>49,808</u>

b. Judicial deposits

Judicial deposits, classified as Other receivables - Sundry are comprised as follows:

	Bank		Consolidated	
	2010	2009	2010	2009
Tax demands	8,844	6,788	11,568	8,588
Labor demands	2,321	1,897	13,236	7,907
Others	<u>28</u>	<u>46</u>	<u>20,060</u>	<u>14,729</u>
Total	<u>11,193</u>	<u>8,731</u>	<u>44,864</u>	<u>31,224</u>

c. Contingent assets

There is no contingent asset recorded.

d. Legal obligations

The Institution claims the non-payment of COFINS based on the revenues not derived from monthly invoicing (expansion of the calculation basis introduced by Law 9718/98).

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Notes to the financial statements

(In thousands of Reais)

	<u>Bank</u>		<u>Consolidated</u>	
	2010	2009	2010	2009
Opening balance	478,676	398,050	1,046,422	755,668
Constitutions/(reversals)	23,392	33,754	152,125	116,633
Monetary corrections	<u>13,688</u>	<u>16,198</u>	<u>22,015</u>	<u>34,073</u>
Closing balance	<u>515,756</u>	<u>448,002</u>	<u>1,220,562</u>	<u>906,374</u>

e. Other commitments

On July 25, 2003, the Bank filed at the Internal Revenue Service its adherence to the Special Installment Payment Program - PAES, created by Law 10684/03, of the Federal Government. Adherence to the program allowed the scheduling of PIS, relating to the period from January 2000 to January 2003, which was being challenged in court and recorded in provision for tax risks. The sums relating to PIS, included in the program, were divided into installments over 120 months, calculated with a basis on the limitation of 1.5% of the gross revenue from financial intermediation, restated with a basis on the variation of the Long-term Interest Rate - TJLP and reclassified to taxes and contributions payable. On June 30, 2010, the balance of the program is R \$ 6,106. The Bank is fulfilling the conditions of aforesaid program with respect to the honoring of the installment payments, as well as regarding the deposit of the other taxes due monthly.

39 Other information

- a. Nonoperating income refers basically to the result arising from the sale of nonoperating assets.
- b. There are no post-employment benefits, such as pensions, other retirement benefits, post - employment life insurance and medical care, other long-term benefits to employees and managers, including long service leave and other leaves, jubilee or other benefits per years of service, share-based remuneration and rescission of contract benefits, except those provided for in collective bargaining of the category.