BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

December 31, 2007

BANCO CENTRAL DO BRASIL
BALANCE SHEET (as at December 31, 2007)
In Thousands of Reais

ASSETS	Notes	Dec 31, 2007	Dec 31, 2006 (Restated)
ASSETS IN FOREIGN CURRENCIES		**358,117,237**	**200,980,845**
Cash and Cash Equivalents	6	4,261,705	10,566,592
Time Deposits Placed with Financial Institutions	6	13,570,788	28,009,886
Financial Assets Purchased Under Agreement to Resell	7	27,768,670	1,500,113
Derivatives	8	41,608	37,640
Debt Securities	9	302,322,757	149,424,976
Credits Receivables		-	71,262
Gold	12	1,595,257	1,526,867
Investments in International Financial Oragnizations	13	8,556,444	9,843,509
Other		8	-
ASSETS IN LOCAL CURRENCY		**408,234,298**	**343,931,239**
Deposits	6	598,156	609,950
Financial Assets Purchased Under Agreement to Resell	7	2,790,896	504,501
Derivatives	8	393,822	1,640
Debt Securities	9	359,335,362	303,860,298
Receivables from the Federal Government	10	17,350,687	14,322,275
Credits Receivables	11	23,803,245	21,615,930
Property, Plant and Equipment	14	791,425	785,684
Other	15	3,170,705	2,230,961
TOTAL		**766,351,535**	**544,912,084**

LIABILITIES	Notes	Dec 31, 2007	Dec 31, 2006 (Restated)
LIABILITIES IN FOREIGN CURRENCIES		**37,759,860**	**18,001,253**
Items in the Course of Collection	16	261,831	4,955,147
Deposits Received from Financial Institutions	17	478	577
Financial Assets Sold Under Agreements to Repurchase	7	27,766,297	1,499,992
Derivatives	8	77,437	40,729
Loans Payable	18	1,032,559	1,497,009
Accounts Paybale	19	4,580	-
Deposit Received from International Financial Organizations	20	8,615,362	9,940,621
Other	23	1,316	67,178
LIABILITIES IN LOCAL CURRENCY		**624,699,974**	**434,141,374**
Items in the Course of Collection	16	716,616	1,076,320
Deposits Received from Financial Institutions	17	145,973,427	118,438,655
Financial Assets Sold Under Agreements to Repurchase	7	190,207,090	77,871,622
Derivatives	8	2,863	121,601
Payables to the Federal Government	10	276,333,619	226,456,810
Accounts Paybale	19	1,139,276	2,169,309
Deposit Received from International Financial Organizations	20	27,633	25,973
Provision	22	10,274,504	7,959,286
Other	23	24,946	21,798
CURRENCY IN CIRCULATION	24	**102,885,047**	**85,824,753**
NET EQUITY	25	**1,006,654**	**6,944,704**
Income Reserve		1,606,019	4,662,369
Revaluation Reserve		479,011	485,564
Gains (Losses) Recognized Directly in Equity		(3,654,732)	3,110,151
Changes in Accounting Policies - Process of Adopting IFRSs		-	1,906,017
Tranistion Adjustments to IFRSs		-	(4,962,367)
Retained Earnings		2,576,356	1,742,970
TOTAL		**766,351,535**	**544,912,084**

(The Explanatory Notes are an integral part of the Financial Statements)

INCOME STATEMENT - 2007
In Thousands of Reais

	Notes	2007	2006 (Restated)
FOREIGN CURRENCIES OPERATIONS		(23,286,254)	(2,644,750)
Interest income		2,313,452	1,769,184
Interest expenses		(589,023)	(289,505)
(=) Net ineterest income	**26**	1,724,429	1,479,679
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**27**	(20,557,617)	(2,269,443)
Gains (losses) from foreign exchange	**29**	(4,453,066)	(1,854,986)
LOCAL CURRENCY OPERATIONS		(23,588,024)	(10,330,033)
Interest income		41,731,045	44,907,708
Interest expenses		(57,347,826)	(50,095,284)
(=) Net ineterest income	**26**	(15,616,781)	(5,187,576)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**27**	(8,301,235)	(5,589,931)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	**28**	2,189,993	2,570,478
Gains (losses) on financial assets held for investment purposes		-	(619,610)
Gains (losses) from foreign currency-linked operations	**29**	(1,860,001)	(1,503,394)
OTHER INCOME	**30**	**2,739,947**	**1,877,576**
OTHER EXPENSES	**30**	**(3,379,808)**	**(2,295,554)**
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**31**	(47,514,139)	(13,392,761)

Suplementary Information Not Required by IFRSs

NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	(47,514,139)	(13,392,761)
Net result from exchange rate variations and swaps	(55,595,166)	(15,545,014)
NET INCOME (LOSS) EXCLUDING THE RESULT FROM EXCHANGE RATE VARIATIONS AND SWAPS	8,081,027	2,152,253

(The Explanatory Notes are an integral part of the Financial Statements)

CHANGES IN EQUITY - 2007
In Thousands of Reais

	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CHANGES IN ACCOUNTING POLICIES - PROCESS OF ADOPTING IFRSs	TRANSITION ADJUSTMENTS TO IFRSs	RETAINED EARNINGS	NET EQUITY
Balance as at December 31, 2006	4,662,369	485,564	4,090,432	1,906,017	-	2,576,356	13,720,738
Transition adjustments to IFRSs	-	-	-	-	(4,962,367)	-	(4,962,367)
Correction of errors	-	-	(980,281)	-	-	(833,386)	(1,813,667)
Balance as at December 31, 2006 (Restated)	**4,662,369**	**485,564**	**3,110,151**	**1,906,017**	**(4,962,367)**	**1,742,970**	**6,944,704**
Realization of Revaluation Reserves	-	(6,553)	-	-	-	6,553	-
Available-for-sale Financial Assets							
- Gains (Losses) recognized in Equity	-	-	(6,943,175)	-		-	(6,943,175)
Actuarial gains (losses)	-	-	178,292	-	-	-	178,292
Total Gains (Losses) recognized directly in Equity	**-**	**(6,553)**	**(6,764,883)**	**-**	**-**	**6,553**	**(6,764,883)**
Net income (loss) 1st semester	-	-	-	-	-	(30,304,910)	(30,304,910)
Net income (loss) 2nd semester	-	-	-	-	-	(17,209,229)	(17,209,229)
Net income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**(47,514,139)**	**(47,514,139)**
Total income and expenses recognized during the year	**-**	**(6,553)**	**(6,764,883)**	**-**	**-**	**(47,507,586)**	**(54,279,022)**
Realization of Income Reserves	(3,056,350)	-	-	(1,906,017)	4,962,367	-	-
Result to be covered by the National Treasury - 1st semester	-	-	-	-	-	30,994,140	30,994,140
Result to be covered by the National Treasury - 2nd semester	-	-	-	-	-	17,346,832	17,346,832
Balance as at December 31, 2007	**1,606,019**	**479,011**	**(3,654,732)**	**-**	**-**	**2,576,356**	**1,006,654**

	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CHANGES IN ACCOUNTING POLICIES - PROCESS OF ADOPTING IFRSs	TRANSITION ADJUSTMENTS TO IFRSs	RETAINED EARNINGS	NET EQUITY
Balance as at December 31, 2005	4,662,369	491,849	(832,625)	1,906,017	-	2,576,356	8,803,966
Transition adjustments to IFRSs	-	-	-	-	(4,962,367)	-	(4,962,367)
Correction of errors	-	-	-	-	-	(832,952)	(832,952)
Balance as at December 31, 2005 (Restated)	**4,662,369**	**491,849**	**(832,625)**	**1,906,017**	**(4,962,367)**	**1,743,404**	**3,008,647**
Realization of Revaluation Reserves	-	(6,285)	-	-	-	6,285	-
Available-for-sale Financial Assets							
- Gains (Losses) recognized in Equity	-	-	5,542,667	-	-	-	5,542,667
- Gains (Losses) reclassified to the Income Statement upon disposal	-	-	(619,610)	-	-	-	(619,610)
Actuarial gains (losses)	-	-	(980,281)	-	-	-	(980,281)
Total Gains (Losses) recognized directly in Equity	**-**	**(6,285)**	**3,942,776**	**-**	**-**	**6,285**	**3,942,776**
Net income (loss) 1st semester	-	-	-	-	-	(12,848,456)	(12,848,456)
Net income (loss) 2nd semester	-	-	-	-	-	(544,305)	(544,305)
Net income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**(13,392,761)**	**(13,392,761)**
Total income and expenses recognized during the year	**-**	**(6,285)**	**3,942,776**	**-**	**-**	**(13,386,476)**	**(9,449,985)**
Result to be covered by the National Treasury - 1st semester	-	-	-	-	-	12,746,093	12,746,093
Result to be transferred to the National Treasury - 2nd semester	-	-	-	-	-	639,949	639,949
Balance as at December 31, 2006 (Restated)	**4,662,369**	**485,564**	**3,110,151**	**1,906,017**	**(4,962,367)**	**1,742,970**	**6,944,704**

(The Explanatory Notes are an integral part of the Financial Statements)

CASH FLOW STATEMENT - 2007
In Thousands of Reais

	Notes	2007	2006 (Restated)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(3,922,933)**	**5,841,320**
Interest received		10,072,028	4,026,642
Interest paid		(57,501)	(305,031)
(Purchase) sales of securities		(182,760,802)	(62,058,185)
Purchases (sales) of foreign currencies		154,983,271	75,099,864
(Placement) redemptions of repurchase and reverse repurchase transactions		25,102	38,996
(Placement) redemptions of time deposits		7,228,674	2,246,866
Redemption of deposits received		141,909	706,991
(Payments) receipts on behalf of the National Treasury		6,352,136	(13,924,313)
Credits receivable		41,291	18,155
Other receipts (payments)		50,959	(8,665)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(283,827)**	**(316,849)**
Repayments of loan principal		(283,827)	(316,849)
NET CASH FLOW		**(4,206,760)**	**5,524,471**
CHANGE IN CASH AND CASH EQUIVALENTS		**(4,206,760)**	**5,524,471**
Cash and cash equivalents at the beginning of period		10,566,592	6,208,473
Cash and cash equivalents at the end of period	**32**	4,261,705	10,566,592
Effect of exchange rate changes on cash and cash equivalents		(2,098,127)	(1,166,352)

(The Explanatory Notes are an integral part of the Financial Statements)

(Unless otherwise stated, amounts are expressed in thousands of Reais) 5

1 - BANCO CENTRAL DO BRASIL AND ITS DUTIES

Banco Central do Brasil (the "Bank"), a federal government that forms part of the National Financial System, was established on December 31, 1964 with the enactment Law 4,595. Its mission is to ensure the stability of the purchasing power of the Brazilian currency and a robust and efficient National Financial System. The head office of the Bank is located in Brasilia, DF, in the Setor Bancário Sul – Quadra 3, Bloco B, and has offices in nine other states of Brazil.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved these financial statements on February 28, 2008. The condensed interim financial statements are available on the Bank's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The financial statements have prepared in accordance to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board - IASB, considering the following

a) The accounting policies used to prepare these financial statements differ from those that have been applied in the most recent annual financial statements, as they include the implementation of IAS 19 – Employee Benefits.

b) The comparative 2006 financial information was restated in order to consider January 1, 2006 as the date of IFRS opening balance sheet. This change was made in order to allow 2007 to be considered the year of IFRSs adoption, and December 31, 2007, as the first reporting date of a complete set of annual financial statements prepared in accordance with IFRSs. These restatements were classified as correction of errors in accordance with the IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;

These financial statements are not consolidated financial statements, reflecting only the Bank's operations, since there is no entity that requires such consolidation.

3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent a summary of the most significant accounting principles used by the Bank; which have been consistently applied to the comparative financial information and also to the opening balance sheet of Jan 1, 2006, for the purpose of transition to IFRS, as required by IFRS 1.

3.1. Determination of profit and loss

The Bank's profit and loss is determined semi-annually on accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of a net loss (note 39a).

3.2. Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts on a financial asset or financial liability, through the expected life of the financial instrument, to its net carrying amount. Calculation of the effective interest rate considers all relevant amounts whether paid or received between the parties involved, such as fees and commissions; and also includes discounts and premiums.

Interest income and expenses presented in the Income Statement include interest income and expenses on all of the Bank's financial assets and liabilities that are not classified in the category "At Fair Value through Profit or Loss".

3.3. Assets and liabilities denominated in foreign currencies

The functional and reporting currency of the Bank is the Real. Foreign currencies transactions are translated into the Real at exchange rates prevailing at the date of the transactions. On a monthly basis, monetary assets and liabilities denominated in foreign currencies are translated to the Real based on the month-end exchange rates; with the resulting gains or losses from foreign exchange recognized in the Income Statement. The following table presents the foreign exchange rates used at the balance sheet dates:

	Dec 31,2007	Dec 31,2006
Dollar	1.7709	2.1376
Euro	2.6077	2.8193
SDR	2.7953	3.2158
Gold (fine troy ounces)	1,476.4879	1,350.9632

The Special Drawing Right ("SDR") is an accounting unit used by the International Monetary Fund (IMF). The rate is based on a bucket of currencies freely used in international transactions (currently consisting of the Euro (EUR), the Japanese yen (JPY), the pound sterling (GBP), and the United States dollar (USD)).

The Exchange rates used are those published by the Bank, exception made to the Gold exchange rate. In this case, the rate used is the PM Fixing, disclosed by the London Stock Exchange, converted into Real by the Dollar exchange rates used at the balance sheet date.

3.4. Financial Assets and Liabilities

3.4.1 Recognition

Financial assets and liabilities are registered at their fair values on the respective trade date; i.e., on the date the entity undertakes to the sale or purchase of the instrument. For those instruments that are not classified as at fair value through profit or loss, this amount includes all of the costs incurred in the transaction.

3.4.2 Derecognition

Financial assets are derecognized when they are effectively settled, when there is no expectation of realization or in the event of loss of the right of realization.

Financial liabilities are derecognized when the obligations are settled, cancelled or expired.

The Bank enters into transactions in which it transfers its financial assets to other parties; however, it holds the control of such assets by means of retaining the risks and the rights to the income and expenses generated. These assets are not derecognized from the books and records. The main transactions with these characteristics are repurchase and securities lending agreements.

3.4.3 Offsetting of assets and liabilities

Financial assets and liabilities are offset in the balance sheet and shown at their net values when there exists both the intention to settle on a net basis and a legally enforceable right to set-off the recognized amounts.

3.4.4 Classification of Financial Instruments

When financial assets are acquired, they are classified into one of the following categories: Financial assets at fair value through profit or loss, Available-for-sale, Held-to-maturity or Loans and receivables. After the initial recognition, financial assets are measured in accordance with the classification; as follows:

a) Financial assets at fair value through profit or loss

A financial instrument is classified in this category, with gains and losses resulting from mark-to-market adjustments recorded in the income statement, in the following situations:

- If there is a management's intention to trade the financial asset in the near-term;
- If the financial instrument is a derivative;
- When so designated by the management due to the fact that this classification results into more relevant information; and provided that the financial assets are part of a portfolio evaluated and managed on a fair value basis.

b) Available-for-sale

This category includes non-derivative financial assets that are not classified in one of the other categories, since the management does not have a specific intention with regard to either maintaining or disposing of the financial asset. These assets are measured at their fair values; with unrealized gains and losses recorded in equity. Such gains and losses are recognized in the income statement when they are effectively realized. However the interest on these assets, calculated based on the effective interest method, is recognized, on an accrual basis, in the income statement.

c) Held-to-maturity

This category includes non-derivative financial assets for which the Bank has the intent and ability to hold until maturity. These assets are carried at amortized cost and the related interest, calculated based on the effective interest method, is recognized in the income statement.

d) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortized cost.

3.4.5 Measurement

Fair value is considered the market value as published by the primary depository trust companies (custodians) or economic information providers. For financial instruments with no active market, fair value is calculated using pricing models, which include the prices of the most recent trades, discounted cash flows and the fair value of similar financial instruments.

Amortized cost is the book value on the recognition date, adjusted by the accrued interest based on the contractual interest rate using the effective interest method, less the contingent amortization and any impairment losses recognized.

The following table presents a summary of the main financial instruments and their classifications:

Assets in Foreign Currencies	Category	Measurement Basis
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Instittutions	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Bloomberg
Credits Receivables	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	*PM fixing* - Bolsa de Londres
Investment in International Finantial Organizations	Available-for-sale	Redemption value in reais

Assets in Local Currency	Category	Measurement Basis
Deposits	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	BM&F Exchange
Debt Securities Issued by the Federal Government	Available-for-sale	Andima
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivables	At Fair Value through Profit or Loss	Present value of the guarantees

Liabilities in Foreign Currencies	Category	Measurement Basis
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Bloomberg
Loans Payable	Other liabilities	Amortized Cost
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

Liabilities in Local Currency	Category	Measurement Basis
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	BM&F Exchange
Payables to the Federal Government	Other liabilities	Amortized Cost
Créditos a Pagar	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

3.4.6 Impairment of financial assets

In order to verify if there is evidence of impairment of any of its financial assets, the Bank prepares, at least semi-annually, an evaluation.

The Bank considers objective evidence of impairment for events occurring after the initial recognition of financial assets that could have an impact on estimated future cash flows and provided that such impact may be reliably estimated, the Bank considers, among others, the following types of events:

a) Financial difficulties of the issuer or obligor;
b) The occurrence of default in any payments, whether related to principal or interest;
c) Renegotiations or granting of discounts;
d) Extrajudicial liquidation, bankruptcy or other types of financial reorganizations;
e) The disappearance of an active market due to financial difficulties of the issuer.

Where there exists objective evidence of impairment for an asset carried at amortized cost, the amount of the impairment loss is measured as the difference, on the date of evaluation, between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

For assets classified as Available-for-sale, when there is objective evidence of impairment, the accumulated loss recognized in equity is recognized in the income statement, even though the loss has not been effectively realized.

In the event that an asset is considered uncollectible, it is written-off against the related allowance account. Subsequent recoveries of amounts previously written-off are recognized as gains.

If in a subsequent period the amount of a previously recognized impairment loss decreases, and the decrease relates to an objectively verifiable event occurring after the impairment was recognized, the amount of the reversal is recognized as a gain, except for equity investments, where previously recognized impairment losses cannot be reversed.

3.4.7 Derivatives

Derivatives are recognized on their respective trade dates at fair value and are shown as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank does not apply hedge accounting as contemplated in IAS 39 – Financial Instruments: Recognition and Measurement, and thus, recognizes all gains and losses in the Income Statement.

3.5. Property, plant and equipment

Land, buildings and equipment acquired for own use, as well as the collection of works of art and precious metals, are recorded at historical cost (or deemed cost) less accumulated depreciation, when applicable. Costs include all expenses directly attributable to the acquisition or construction of the asset. Further expenditures are capitalized only when it is probable that future economic benefits have been created and this benefit can be estimated. Maintenance and repair expenses related to the asset are expensed as incurred.

Land, works of art and precious metals in diverse forms held by the Bank are not subject to depreciation. All other assets are depreciated on a straight-line basis considering the following useful lives:

a) Buildings: 62.5 years
b) Equipment and furniture:
   - Computer equipment and vehicles: 5 years
   - Other equipment and furniture: 10 years.

3.6. Provisions

3.6.1 Legal Claims

The Bank recognizes a provision for legal claims when it is probable that an outflow of economic resources will be necessary to settle the claim and a reliable estimate of the amount can be made. When it is possible, but not probable that an outflow of economic resources will be necessary to settle the claim, no provision is established.

3.6.2 Post-employment benefits

The Bank sponsors post-employment plans for retirement, pensions and health care benefits. All of them are in the form of defined benefits.

A defined benefit plan is that where the value of the benefit to the employee at the moment of retirement is predetermined, in view of one or more factors, such as age and period of contribution.

The provision recorded in the balance sheet is the present value of the obligations minus the fair value of the assets of the plans. Independent actuaries calculate the value of the obligations annually.

The actuarial surplus recorded in the balance sheet refers to the excess of plan assets over the plan obligations in the Centrus Plan – Fundação Banco Central de Previdência Privada (note 22.2), which represents an economic benefit available to the Bank.

3.7. Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax exempt as pertains to results arising from the exercise of its regular activities, but is otherwise subject to withholding taxes from services rendered by third parties.

3.8. Cash Flow Statement

The main purpose of the Cash Flow Statement is to demonstrate an entity's capacity to generate cash so as to meet its liquidity needs. Since the Bank is the institution that provides liquidity to the National Financial System, having the right to issue currency into circulation, management understands that the Statement of Cash Flows should contemplate only its foreign currencies operations; which are outside the limits of the Bank's prerogative to issue.

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For Cash Flow Statement purposes, cash and cash equivalents comprise cash in species, demand deposits and short-term time deposits.

4 - TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Bank's financial statements were prepared in accordance with the accounting practices defined by the National Monetary Council (CMN), which determined, in 2003, the gradual adoption by the Bank of International Financial Reporting Standards (IFRSs). This process was substantially completed during the 2004 exercise, and since January 1, 2005, the only remaining IFRS adaptation referred to the implementation of International Accounting Standard 19 (IAS 19) – Employee Benefits.

The initial forecast for the conclusion of the conversion process was December 31, 2006, with the IFRS opening balance sheet designated as of January 1, 2005, and the condensed interim financial statements of June 30, 2006 being the first interim financial statements presented in accordance with IAS 34 – Interim Financial Reporting.

However, in light of delays in concluding the necessary actuarial calculations in order to implement IAS 19 – Employee Benefits, the established time frame was not adhered to, which brought about the following consequences:

a) January 1, 2005 was no longer considered the IFRS opening balance sheet date;

b) The amounts originally registered as IFRS Transition Adjustments, in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards, were reclassified in accordance with the provisions of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;

c) Contrary to the expectation at June 30, 2006, the December 31, 2006 financial statements were not the Bank's first complete set of annual financial statements prepared in accordance with IFRSs;

d) Implementation of IAS 19 – Employee Benefits in the current semester, with retroactive application as from January 1, 2006, and the consideration of 2007 as the year of adoption of IFRS.

The transition adjustments shown in the following table arose from the application of IAS 19 – Employee Benefits (note 22.2), which resulted in the recognition of the associated assets and liabilities.

	Previous Accounting Standards	Transition Adjustments	IFRS
Assets in Local Currency			
Credits receivable - Linked to retirement payments	1,972,268	(1,776,535)	195,733
Actuarial surplus	-	1,704,554	1,704,554
Liabilities in Local Currency			
Provisions for actuarial liabilities	86,859	4,890,386	4,977,245
Net Equity			
Transition Adjustments to IFRS	-	(4,962,367)	(4,962,367)

In accordance with IFRS 1, the bank used the following exemptions upon initial adoption of IFRSs:

a) designation of previously recognized financial instruments – the Bank classified the receivables from financial institutions under extrajudicial liquidation in the category At Fair Value Through Profit and Loss. This reclassification did not impact the financial statements as these assets were already valued at fair value;

b) the Bank considered the initial cost basis of property, plant and equipment under IFRS as the value of the last revaluations made.

As the conversion to IFRSs was a gradual process, with the final adaptations made in the opening balance sheet of January 1, 2006, there is no other set of financial statements prepared in accordance with the accounting standards approved by the CMN for the year of 2006; making the presentation of all of the reconciliations prescribed in IFRS 1 not applicable to the Bank

5 - ACCOUNTING RECLASSIFICATIONS AND RESTATEMENTS

The adjustments to the 2006 comparative amounts were made to reflect the recording of the actuarial liabilities in accordance with IAS 19 made in 2007 as of January 1, 2006 in order to enable the transition to the IFRSs from that date (note 22) and also to correct the Accounts Payable balance due to the non-recognition of two court-ordered payment orders that were temporarily suspended (note 19.2).

The income statement was also changed seeking a better form of presentation. Therefore, accounting reclassifications were made in the income statement of 2006 in order to achieve uniformity in the financial information of the two fiscal years.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 10

a) Balance Sheet:

	Dec 31, 2006 Published Amounts	Correction of Errors	Dec 31, 2006 Restated Amounts
Assets in Local Currency			
Credits Receivables	23,287,301	(1,671,371)	21,615,930
Other	77,226	2,153,735	2,230,961
Liabilities in Local Currency			
Accounts Payable	1,635,015	534,294	2,169,309
Provisions	1,235,182	6,724,104	7,959,286
Net Equity			
Gains (Losses) Recognized Directly in Equity	4,090,432	(980,281)	3,110,151
Tranistion adjustments to IFRSs	-	(4,962,367)	(4,962,367)
Retained Earnings	2,576,356	(833,386)	1,742,970

b) Income Statement

The restatements shown in the item above had a negative impact of R$225,712, as a result of the following corrections:

Interest income in local currency operations	557,160
Interest expenses in local currency operations	(1,157,158)
Other expenses	374,286
Net Income (Loss) in 2006	(225,712)

c) Cash Flow Statement

	Dec 31, 2006 Published Amounts	Reclassification	Dec 31, 2006 Restated Amounts
Operating Activities			
Interest received	4,028,976	(2,334)	4,026,642
Purchases (sales) of foreign currencies	75,112,159	(12,295)	75,099,864
(Placement) redemptions of repurchase and reverse repurchase transactions	26,701	12,295	38,996
Other receipts (payments)	(17,020)	8,355	(8,665)
Financing Activities			
Repayments of loan principal	(310,828)	(6,021)	(316,849)

The restatements made did not change the cash flow statement and only a few items were restated to ensure the quality of information presented.

6 - CASH AND CASH EQUIVALENTS AND TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

6.1. In Foreign Currencies

This item consists of the portion of the international reserves that the Bank maintains in financial institutions as demand deposits, short-term deposits and fixed-term deposits, in accordance with its risk administration policy, as described in notes 33 to 37.

The variation in the period is a result of a decision of the Board of Directors to reduce the limits of exposure to risk before financial institutions.

6.2. In Local Currency

These deposits are constituted in accordance with legal determinations, bound to legal claims in process, and for which either a provision has been recognized or a court-ordered payment order has been issued (note 19.2). The deposits are remunerated by the TR (referential rate), and due to their nature, are restricted for other use until a court decision is issued on the subject litigation.

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7 - FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL (REVERSE REPOS) / SOLD UNDER AGREEMENTS TO REPURCHASE (REPOS)

These are transactions in which there is a purchase under an agreement to resell (reverse repo) or a sale under agreement to repurchase (repo). In view of the characteristics of these transactions, the items commercialized are recorded as collateral.

7.1. In Foreign Currencies

	Dec 31, .2007	Dec 31, .2006
Reverse Repurchase Agreement (Reverse Repo)	**27,768,670**	**1,500,113**
Commitment	27,415,376	1,295,260
Items in the course of liquidation	353,294	204,853
Repurchase Agreement (Repo)	**27,766,297**	**1,499,992**
Commitment	27,413,003	1,295,139
Items in the course of liquidation	353,294	204,853
Collateral		
Reverse Repo	28,119,094	1,319,616
Repo	27,498,036	1,293,471

When a repo takes place, securities in the Bank's portfolio are given as collateral. The quantity of securities and the amounts given as collateral are continuously monitored and adjusted to their price and risk. The calculation of the collateral adjustments is done considering the set of operations of each counterpart, i.e., it is made every time the net balance of the operations is greater than the amount of the collateral.

The creditors of these repos are allowed to sell, commit, loan or transfer the securities deposited as collateral if they are returned on the final date of the transaction. In accordance with the prescribed by The Bond Market Association (TBMA) and the International Securities Market Association (ISMA) through the documents Master Repurchase Agreement or Global Master Repurchase Agreement, these guarantees will be exercised in the event of default of the Bank.

Aiming to protect the Bank against operational, credit and market risks, in the reverse repo operations, securities issued by central governments or multilateral agencies with "AAA" risk rating, whose size of haircut is 2%, are received as collateral. The risks and the forms of realization of these guarantees are the same of the ones for the repos.

7.2. In local currency

	Dec 31, .2007	Dec 31, .2006
Reverse Repurchase Agreement (Reverse Repo)	**2,790,896**	**504,501**
Commitment	2,790,896	504,501
Repurchase Agreement (Repo)	**190,207,090**	**77,871,622**
Repo - transactions of collateral allowed	84,483,437	54,228,362
Repo - transactions of collateral not allowed	105,723,653	23,643,260
Collateral		
Reverse Repo	2,819,685	504,270
Repo - transactions of collateral allowed	84,430,172	55,212,051
Repo - transactions of collateral not allowed	106,144,444	23,793,106

The collateral of repos and reverse repos are always constituted in debt securities issued by the federal government and held under custody in the Selic. Aiming to protect the creditor against the fluctuations of the market rates, these securities are valued at prices lower than the secondary market value. Since the value of the guarantees is established when the transaction takes place and there is no adjustment predicted while it is effective, the donor takes the risk of fluctuation of the market prices of the guarantees when they fall under those established when the transaction took place.

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Repo operations may be constituted allowing the trade of collateral, when, in the absence of default by its owner, the collateral may be sold; or not allowing the trade of collateral, where the definitive sale is not permitted during the term of the operation. On the other hand, when the reverse repo operations take place the transactions of the collateral are never allowed.

The raise in the balances of reverse repos transactions is due to the raise of liquidity in the monetary market, mainly as a result of the exchange rate operations made by the Bank and the National Treasury and the liquid redemption of securities of the federal public debt, including the payment of interests.

8 - DERIVATIVES

8.1. In Foreign Currencies

To manage the international reserves, the Bank uses derivatives in its routine operations or to hedge the market risk exposure of the short-term external sovereign liability, aiming to achieve liquidity, security and profitability, hedging also the short-term foreign sovereign debt.

In view of these objectives, the Committee on Investment Strategy authorized the execution of derivatives in currencies different from those used to hedge the short term sovereign external debt using a model based on the differential interest rate in the country and a medium-term trend model based on technical factors, both fully used in the international financial market.

To that end, the Bank uses the following types of derivative instruments in its operations:

a) Currency forwards - derivative instruments characterized by a contract to trade currencies (purchase and sale) at a predetermined price on a future date. These operations are over-the-counter (OTC) (dealt directly with financial institutions) and are subject to the internal risk management policy;

b) Interest rate and Securities futures - obligations to pay or to receive an amount linked to the variation in interest rates or to the value of securities at a future date. These contracts are guaranteed in cash, and their values are daily adjusted on the futures exchange.

Dec 31, 2007

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Currency Forward				
1 month			16,803	72,876
Australian Dollar	288,172	288,172	-	-
Swiss Franc	407,140	407,140	-	-
Euro	9,127	9,127	-	-
British Pound	244,978	244,978	-	-
Japanese Yen	401,895	401,895	-	-
New Zealand Dollar	275,939	275,939	-	-
United States Dollar	1,592,939	1,649,147	16,803	72,876
Securities Futures				
1 - 6 months			24,805	4,561
United States Dollar	15,222,302	9,944,135	-	-
Euro	3,077,127	1,110,895	3,231	4,561
British Pound	3,602,401	-	21,574	-
TOTAL			**41,608**	**77,437**

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Dec 31, 2006

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Currency Forward				
1 month			37,640	40,588
Australian Dollar	198,663	198,663	6,561	587
Canadian Dollar	105,662	105,662	3,374	469
Swiss Franc	120,394	120,394	514	4,129
Euro	207,769	207,860	1,349	2,548
British Pound	22,667	22,667	209	-
Japanese Yen	126,223	126,223	1,681	2,300
Norwegian Krone	46,018	46,018	-	3,073
New Zealand Dollar	204,869	204,869	12,862	8,272
Swedish Krona	243,935	243,935	4,175	10,521
United States Dollar	1,118,680	1,121,473	6,915	8,689
Interest Futures				
1 - 6 months			-	-
United States Dollar	-	5,344,000	-	-
Securities Futures				
1 - 6 months			-	141
United States Dollar	-	3,185,024	-	-
Euro	-	-	-	141
TOTAL			**37,640**	**40,729**

Given their characteristics, of exchanging currencies, there are no collaterals in the currency forward operations. In the futures operations, the collateral are deposits placed that amounted R$134,341 in 2007 and R$8,801 in 2006.

Regarding the table above mentioned, note the following:

a) For the futures contracts in dollars, the adjustments are required to be settled on D+1. As there were no transactions in the dollar market on December 29, 2006, there are no payables or receivables recorded on this date;

b) For the futures contracts in Euro, the adjustments are required to be settled on D+2. Thus, although there were no open transactions on December 31, 2006, there was an adjustment balance payable on January 2, 2007.

8.2. In Local Currency

As an instrument in its monetary and foreign exchange policies, the Bank carries out swap operations indexed to interest rates and foreign exchange variations in order to provide foreign exchange hedges for financial institutions and other economic agents (notes 33 to 37).

These operations consist of open contracts on the Futures and Commodities Exchange (BM&F). In the long positions, the Bank is on the asset side with respect to interest rates, represented by the Interbank Deposits (DI) rate, and on the liability side, with respect to exchange rate variation plus interest, represented by an exchange rate coupon. Conversely, in the short positions, the asset side is linked to exchange rate variation plus the exchange rate coupon, and on the liability side, interest rates (DI). The contracts currently traded notional amount is US$ 50,000 adjusted on a daily basis. The value of securities is stipulated by the BM & F, as described in note 34.b.

The following tables demonstrate the notional value of these operations, as well as the fair value by type of operation and maturity date:

(Unless otherwise stated, amounts are expressed in thousands of Reais) 14

Dec 31, 2007

		Fair Value	
	Notional Amount	Assets	Liabilities
- SWAP - Daily Settlement	**43,445,561**	**393,822**	**2,863**
Long position in Dollars	**(296,693)**	**-**	**2,863**
6 - 12 meses	(296,693)	-	2,863
Short position in Dollars	**43,742,254**	**393,822**	**-**
1 month	2,603,811	11,069	-
1 - 6 months	16,083,404	152,151	-
6 - 12 months	10,021,130	89,995	-
1 - 5 years	15,033,909	140,607	-
TOTAL	**43,445,561**	**393,822**	**2,863**

Dec 31, 2006

		Fair Value	
	Notional Amount	Assets	Liabilities
- SWAP - Daily Settlement	**31,089,086**	**1,640**	**121,601**
Long position in Dollars	**(358,115)**	**1,640**	-
1 - 5 years	(358,115)	1,640	-
Short position in Dollars	**31,447,201**	-	**121,601**
1 month	3,553,784	-	10,603
1 - 6 months	8,167,160	-	33,573
6 - 12 months	6,641,697	-	26,409
1 - 5 years	13,084,560	-	51,016
TOTAL	**31,089,086**	**1,640**	**121,601**

9 - DEBT SECURITIES

9.1. Securities denominated in foreign currencies

	Dec 31, 2007	Dec 31, 2006
Uncommited Securities	**274,824,721**	**148,126,612**
1 month	5,424,080	403,671
1 - 6 months	8,703,574	3,636,621
6 - 12 months	6,200,991	11,862,501
1 - 5 years	210,540,422	124,564,980
more than 5 years	43,955,654	7,658,839
Securities linked to Repurchase Agreements	**27,473,009**	**1,289,730**
1 - 5 years	21,254,867	861,823
more than 5 years	6,218,142	427,907
Securities granted as collateral	**25,027**	**3,741**
1 - 5 years	25,027	3,741
Securities sold to be delivered	**-**	**4,893**
more than 5 years	-	4,893
TOTAL	**302,322,757**	**149,424,976**

These securities are fixed rate debt securities, issued by national treasuries, supranational or multilateral organisms or governmental agencies, acquired by the Bank in accordance to its policy of diversification (notes 33 to 37). The portfolio is part of Brazil's international reserves for which the objectives are (i) to diversify investments and risks, (ii) to enhance profitability and (iii) to maintain different levels of liquidity.

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The change in the period is due, primarily, to the Bank's intervention in the domestic exchange market, as well as the transfer of part of the resources that were invested in other types of investment (note 6).

These securities are classified in the "At Fair Value through profit and Loss" category. The table below shows the cost and the carrying amount of these assets, after the mark-to-market adjustments:

	Dec 31, 2007	Dec 31, 2006
Cost	293,559,862	149,538,417
Mark-to-market adjustments	8,762,895	(113,441)
Carrying amount	302,322,757	149,424,976

9.2. Federal government debt securities

Dec 31, 2007

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommited Securities	**35,277,876**	**1,778,255**	**6,946,478**	**72,145,626**	**47,972,106**	**164,120,341**
LTN	32,972,425	1,778,255	6,085,873	20,329,776	-	61,166,329
LFT	-	-	-	1,654,262	1,704,681	3,358,943
NTN-B	-	-	860,605	25,013,333	29,756,733	55,630,671
NTN-F	2,305,451	-	-	25,148,255	16,510,692	43,964,398
Securities linked to Repurchase Agreements	**-**	**14,288,532**	**30,603,564**	**141,526,862**	**4,155,658**	**190,574,616**
LTN	-	14,288,532	30,603,564	52,153,238	-	97,045,334
LFT	-	-	-	73,657,949	-	73,657,949
NTN-B	-	-	-	13,346,465	2,515,315	15,861,780
NTN-F	-	-	-	2,369,210	1,640,343	4,009,553
Securities granted as collateral	**-**	**2,692,091**	**-**	**-**	**1,940,653**	**4,632,744**
LFT	-	-	-	-	1,940,653	1,940,653
NTN-D	-	2,692,091	-	-	-	2,692,091
Untradable securities	**-**	**-**	**-**	**7,500**	**161**	**7,661**
NTN-P	-	-	-	7,500	161	7,661
TOTAL	**35,277,876**	**18,758,878**	**37,550,042**	**213,679,988**	**54,068,578**	**359,335,362**

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Dec 31, 2006

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommited Securities	**27,561,126**	**41,859,539**	**26,594,716**	**95,041,531**	**30,755,150**	**221,812,062**
LTN	26,334,425	25,228,571	16,092,180	50,163,230	-	117,818,406
LFT	1,226,701	12,844,891	3,031,219	18,005,879	10,830,887	45,939,577
LFT-B	-	-	-	-	-	-
NTN-B	-	-	-	16,662,200	11,562,308	28,224,508
NTN-D	-	3,786,077	7,471,317	3,491,454	-	14,748,848
NTN-F	-	-	-	6,718,768	8,361,955	15,080,723
Securities linked to Repurchase Agreements	**-**	**15,233,847**	**20,797,600**	**41,097,146**	**1,876,564**	**79,005,157**
LTN	-	-	20,797,600	29,266,682	-	50,064,282
LFT	-	15,233,847	-	8,559,259	-	23,793,106
NTN-B	-	-	-	2,327,832	1,541,278	3,869,110
NTN-F	-	-	-	943,373	335,286	1,278,659
Securities granted as collateral	**-**	**-**	**-**	**3,035,953**	**-**	**3,035,953**
LFT	-	-	-	3,035,953	-	3,035,953
Untradable securities	**-**	**-**	**-**	**6,976**	**150**	**7,126**
NTN-P	-	-	-	6,976	150	7,126
TOTAL	**27,561,126**	**57,093,386**	**47,392,316**	**139,181,606**	**32,631,864**	**303,860,298**

The Bank attempts to manage its securities portfolio so as to have adequate instruments for the implementation of monetary policy, i.e. transactions for purchase and sale of securities, which can be either a final sale or a commitment under agreement. In order to do so, the Bank tends to follow the profile of the debt held by the public, and for this, when the securities in its portfolio reach the maturity date, the Bank rebuilds it portfolio through public offerings of the National Treasury. These operations are always made by average price paid by the other players of the market.

The characteristics of the securities issued by the Brazilian National Treasury and held by the Bank are as follows:

a) National Treasury Bills - LTN: fixed interest rate determined by a discount to the face value;

b) Financial Treasury Bills – LFT and Financial Treasury Bills Series B - LFT-B: variable interest rates determined by the adjusted average rate of daily financing in the Special System of Clearance and Custody - SELIC (SELIC rate);

c) National Treasury Notes Series B - NTN-B: variable interest rate determined by the Amplified National Consumer Price Index - IPCA, with interest paid on a half-yearly basis;

d) National Treasury Notes Series D - NTN-D: adjusted by the selling rate of the United States dollar plus interest, which is paid on a half-yearly basis;

e) National Treasury Notes Series F - NTN-F: fixed interest rate determined by a discount to the face value, with interest paid on a half-yearly basis;

f) National Treasury Notes Series P - NTN-P: registered and non-negotiable, updated by the Referential Rate (TR) plus 6% interest p.a. payable upon redemption;

The above securities are classified as Available-for-sale with the exception of the NTN-P portfolio, which is classified as Held-to-maturity. The following table shows the cost and the carrying amount of securities, after mark-to-market adjustments:

(Unless otherwise stated, amounts are expressed in thousands of Reais) 17

	Dec 31, 2007			Dec 31, 2006		
	Cost	Mark-to-market Adjustment	Carrying Amount	Cost	Mark-to-market Adjustment	Carrying Amount
Available-for-sale	**358,127,574**	**1,200,127**	**359,327,701**	**296,585,769**	**7,267,403**	**303,853,172**
LTN	158,255,044	(43,381)	158,211,663	164,386,947	3,495,741	167,882,688
LFT	78,884,696	72,849	78,957,545	72,645,512	123,124	72,768,636
NTN-B	69,052,180	2,440,271	71,492,451	30,061,616	2,032,001	32,093,617
NTN-D	2,719,793	(27,702)	2,692,091	13,799,602	949,246	14,748,848
NTN-F	49,215,861	(1,241,910)	47,973,951	15,692,092	667,291	16,359,383
Held-to-maturity	**7,661**	**-**	**7,661**	**7,126**	**-**	**7,126**
NTN-P	7,661	-	7,661	7,126	-	7,126

The variation observed is the result of the interest on the period and the placement of securities made by the National Treasury originated by the coverage of the negative result of the Bank in the second half year of 2006 and the first half year of 2007 (Note 38.1).

10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

	Assets	
	Dec 31, 2007	Dec 31, 2006
Result to be covered by the National Treasury	17.346.831	14.284.589
Other	3.856	37.686
Total	**17.350.687**	**14.322.275**

	Liabilities	
	Dec 31, 2007	Dec 31, 2006
National Treasury Operating Account	275.843.164	226.047.319
Other	490.455	409.491
Total	**276.333.619**	**226.456.810**

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in note 38.1.

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11 - CREDITS RECEIVABLE

Dec 31, 2007

	Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit and loss - Designated by management	**49,198,138**	**(25,429,047)**	**23,769,091**
Banco Nacional - Under extrajudicial liquidation	24,031,674	(10,968,529)	13,063,145
Banco Econômico - Under extrajudicial liquidation	19,915,709	(10,735,778)	9,179,931
Banco Mercantil - Under extrajudicial liquidation	1,744,436	(218,421)	1,526,015
Banco Banorte - Under extrajudicial liquidation	691,288	(691,288)	-
Banco Bamerindus - Under extrajudicial liquidation	2,815,031	(2,815,031)	-
Loans and Receivables	**34,154**	**-**	**34,154**
Centrus	10,406	-	10,406
Other	23,748	-	23,748
Total	**49,232,292**	**(25,429,047)**	**23,803,245**

Dec 31, 2006

	Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit and loss - Designated by management	**42,971,447**	**(21,392,349)**	**21,579,098**
Banco Nacional - Under extrajudicial liquidation	20,351,038	(10,584,633)	9,766,405
Banco Econômico - Under extrajudicial liquidation	17,723,442	(7,357,212)	10,366,230
Banco Mercantil - Under extrajudicial liquidation	1,446,463	-	1,446,463
Banco Banorte - Under extrajudicial liquidation	675,702	(675,702)	-
Banco Bamerindus - Under extrajudicial liquidation	2,774,802	(2,774,802)	-
Loans and Receivables	**36,832**	**-**	**36,832**
Centrus	8,002	-	8,002
Other	28,830	-	28,830
Total	**43,008,279**	**(21,392,349)**	**21,615,930**

11.1. Receivables from financial institutions under extrajudicial liquidation

a) Characteristics and credit conditions

The receivables from financial institutions under extrajudicial liquidation stem either from financial assistance provided to the banks (PROER loans), or from negative account balances (overdrafts) in the banks' reserve accounts.

These receivables are adjusted based on the sole paragraph of Article 26 of the Bankruptcy Law, in which the portion of the receivables balances attributable to the PROER loans are updated by the contractual rates up to limits of the collateral on the loans; and the remaining balances by the Referential Rate (TR). Once the contractual rates arise from the collateral on the original credits, the evaluation of these rates were updated in order to reflect the exact composition of these indexers.

The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6.024/74) and the Bankruptcy Law (Law 11.101/05). This legislation determines, among others:

– Suspension of the previously stated periods for the settlement of the obligations;

– That the payment of the liabilities shall be made in accordance with the order of preference established by law; as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages, secured creditors, tax liabilities and unsecured creditors;

– The establishment of a general table of creditors in order to identity all of the creditors of the Institution, the effective values of their credits and their position in the order of preference to receive payments for these credits;

– The procedures necessary to realize the assets of the institution; for example, consisting of the form of sale (i.e. direct sale or auction, individual assets or groups of assets)

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The amortizations since the legal dates of the respective extrajudicial liquidations were allocated against the receivables originated from the financial assistance provided to the institutions in the form of PROER loans. It is important to note that these amounts are subject to alteration due to the fact that the option legally granted to the debtors, allowing them to, in the existence of more than a single debt balance with different characteristics, opt to have the amortization recorded against the debt balance that is most convenient in the circumstances, was not observed. However, the amount recorded represents the best possible estimate at the time of the evaluation.

In view of these characteristics, the timing of the realization of these assets cannot be precisely forecasted, although it is important to note that a majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees.

b) Classification and measurement procedure

These credits are classified as "At Fair Value Through Profit or Loss" due to management's view that this classification results in more relevant information, considering the following:

- They comprise a portfolio of assets with the same origin – arising from the Bank's role as supervisor of the National Financial System;
- For management and accounting purposes, since 1999, these assets have been evaluated based on their realizable values. This form of evaluation reflects the objectives of the Bank when dealing with extrajudicial liquidation processes; which are to conclude the processes in the least possible amount of time and with the least amount of costs to the monetary authority and depositors and investors.

The fair value of these credits was measured based on the fair value of the collateral; excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes).

11.2. Loans and receivables – See Note 4

12 - GOLD

The Bank, as other central banks, maintains a certain amount of gold as part of Brazil's international reserves. International reserves form part of the monetary assets of a country available for covering balance-of-payment deficits, and in some cases, to meet other financial needs of a country's monetary authorities. Gold is considered a reserve asset because it is immediately available for use by the monetary authorities on an unconditional basis, and thus, management understands that gold held by the Bank is a monetary asset.

In view of these characteristics, management understands that IFRSs do not provide an adequate basis of accounting for this type of asset. Therefore, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the Bank determined that the most reliable and relevant way to measure and present gold would be that prescribed for other financial assets (IAS 39).

As at December 31, 2007, the Bank's gold reserve amounted to 1,080,439.90 fine troy ounces (1,080,201.30 as at December 31, 2006). Gold is classified as available-for-sale given the lack of a specific intent to trade in the near-term. Gold is measured at its market price in US dollars, with price adjustments recorded in equity and the effects of exchange rate variation recorded in the Income Statement.

	Dec 31, 2007	Dec 31, 2006
Cost	541,709	721,044
Mark-to-market Adjustment	1,053,548	805,823
Carrying Amount	1,595,257	1,526,867

13 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The Bank's participation in international financial organizations comprises quotas of the International Monetary Fund – IMF (1.4% of the Fund's total quotas) and equity shares of the Bank for International Settlements – BIS (0.55% of the entity's capital). These participations do not fall under the definitions of "control" or "significant influence in the administration or in the financial and operating policy decisions", which determines that they must be recorded as prescribed on the IAS 39.

	Dec 31,2007	Dec 31,2006
International Monetary Fund - IMF	8,486,901	9,763,506
Bank for International Settlements - BIS	69,543	80,003
Total	**8,556,444**	**9,843,509**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 20

These investments are classified as Available-for-sale, and their market value is determined based on the amount in Reais of Brazil's participation in the entities.

14 - PROPERTY, PLANT AND EQUIPMENT

Dec 31,2007

	Precious Metals	Property	Equipment	Works of art and museum pieces	Total
Balance as at Dec 31,2006	**38,482**	**646,406**	**70,676**	**30,120**	**785,684**
Cost	38,750	678,630	209,200	30,120	956,700
Accumulated Depreciation	-	(32,224)	(138,524)	-	(170,748)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2007	**-**	**(5,305)**	**11,052**	**(6)**	**5,741**
Acquisitions/Constructions	-	4,534	35,453	5	39,992
Sales/Write-offs	-	-	(42)	(11)	(53)
Depreciation	-	(9,839)	(24,359)	-	(34,198)
Balance as at Dec 31, 2007	**38,482**	**641,101**	**81,728**	**30,114**	**791,425**

Dec 31,2006

	Precious Metals	Property	Equipment	Works of art and museum pieces	Total
Balance as at Dec 31,2005	**38,482**	**648,638**	**90,662**	**30,098**	**807,880**
Cost	38,750	671,277	204,210	30,098	944,335
Accumulated Depreciation	-	(22,639)	(113,548)	-	(136,187)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2006	**-**	**(2,232)**	**(19,986)**	**22**	**(22,196)**
Acquisitions/Constructions	-	7,469	7,531	22	15,022
Sales/Write-offs	-	(116)	(48)	-	(164)
Depreciation	-	(9,585)	(27,469)	-	(37,054)
Balance as at Dec 31, 2006	**38,482**	**646,406**	**70,676**	**30,120**	**785,684**

15 - OTHER ASSETS

	Dec 31, 2007	Dec 31, 2006
Assets in Local Currency	**3.170.705**	**2.230.961**
Actuarial Surplus - Centrus (note 22.2)	3.093.869	2.153.735
Other	76.836	77.226
Total	**3.170.705**	**2.230.961**

16 - ITEMS IN THE COURSE OF COLLECTION

This amount refers to transactions pending settlement as at the reporting date; whose settlement will occur in up to two or three days (i.e. purchase and sale of securities and placements and withdrawals of deposits).

17 - DEPOSITS OF FINANCIAL INSTITUTIONS

	Dec 31, 2007	Dec 31, 2006
In Foreign Currencies	**478**	**577**
In Local Currency	**145,973,427**	**118,438,655**
Demand Deposits	43,731,820	35,277,248
Savings Deposits	46,323,094	36,739,792
Additional Requirements	53,660,663	45,130,611
Other	2,257,850	1,291,004
TOTAL	**145,973,905**	**118,439,232**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 21

The deposits of financial institutions comprise mainly compulsory reserve deposits, which are used as a mechanism to limit the lending capacity of these institutions.

The institutions may be required to make such deposits in cash or in federal public securities. Those made in cash are recorded as demand liabilities of the Bank.

The amounts to be deposited are calculated considering the average daily balances that the financial institutions hold from investors and have the following requirements:

a) Demand deposits – 45% of demand deposits (excluding an average balance of R$44,000) in a non-interest bearing account;

b) Savings deposits – 20% of savings account deposits must be maintained at the Bank in an interest-bearing account (TR+6.17% p.a. for free savings, retirement-earmarked savings and the rural savings categories and TR+3% p.a. for earmarked savings);

c) Additional requirements - additional reserve requirements on the total demand deposits (8%), term deposits (8%) and savings deposits (10%), with a deduction of R$100,000 applied to the amount calculated, bearing the SELIC interest rate.

The significant change is due to a greater funding, by the financial institutions, of the deposits subject to these obligations.

18 - LOANS PAYABLES

The balance recorded as loans payables includes:

	31.12.2007	31.12.2006
Paris Club/Brazilian Financing Plan	-	302,112
SDR allocations	1,008,466	1,161,211
Other	24,093	33,686
TOTAL	**1,032,559**	**1,497,009**

The SDR allocations are resources made available to member countries by the IMF, proportionally to their share of participation, without due date. On the use of these resources, there is interest (paid quarterly) calculated by the rates of SDR, disclosed by the Fund itself.

The loans from the Paris Club / Brazilian Financing Plan were settled on set 17, 2007.

19 - PAYABLES

	31.12.2007	31.12.2006
In Foreign Currencies	**4,580**	**-**
In Local Currency	**1,139,276**	**2,169,309**
Obligations with Centrus	2,667	1,104,541
Court-ordered payment orders	1,004,547	991,640
Others	132,062	73,128
TOTAL	**1,143,856**	**2,169,309**

19.1. Obligations with Centrus

Refers to centralization of benefit payments to retired persons and pensioners, which are the responsibility of Previ (Caixa de Previdência dos Funcionários do Banco do Brasil), and relate to employees that opted to join the workforce of the Bank and the transference of the obligation related to the pension benefits which are the responsibility of the Bank of employees that retired or died up to December 31, 1990 under the RGPS; by means of funding Centrus in the amount of the respective mathematical reserves.

An agreement between the Bank and Centrus was signed on August 1998, and amended successively up to December 31, 2005, providing that these reserves would be paid in annual and consecutive payments of at least one tenth of the adjusted original balance.

In view of the Bank's understanding that the debt no longer existed in function of the Centrus plan surplus, no payments were made nor were any additional amendments made to the agreement since 2006. The parties then started negotiating the matter. However, as there was no consensus between the Bank and Centrus on this matter, they sent a joint correspondence to the National Secretariat of Pension Funds seeking the examination of the issue. Based on the understanding of the Secretariat, given on November 30, 2007, a new agreement was signed ceasing the obligations of the Bank. This decision is retroactive to 2003, moment from which the plan started registering surplus greater than the value of the obligation.

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19.2. Court-ordered payment orders

In accordance with Article 100, Paragraph 1 of the Federal Constitution, public entities shall include in their respective budgets the amounts necessary to cover court-ordered payment orders submitted up to July 1 of each year, for payment not later than the end of the subsequent fiscal year.

With the publication of Constitutional Amendment 30, of September 13, 2000, the court-ordered payment orders resulting from lawsuits filed in courts before December 31, 1999 shall be settled at their actual value in cash, plus legal interest, in successive, equal annual installments over a maximum period of ten years, except for credits related to alimony and credits of small amounts.

Under Article 27 of Law 11.514/2007, budgetary provisions passed by the annual budget law to cover payments of debts resulting from court decisions beyond appeal were decentralized to the individual court level. These courts apply for the funds and are responsible for making the corresponding payments directly to the prevailing party. As a result, budgetary and financial resources no longer flow through the Bank (the debtor entity). The existing balance at December 31, 2007 refers to court-ordered payment orders to be paid from 2008 onwards, with the 2008 payment made on January 30, 2008.

The amount of payables on December 31, 2006 were restated as a result of the recognition of two court-ordered payment orders who are suspended, because it is under litigation, and that for that reason had not been recognized in the accounts (Note 5).

20 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2007	Dec 31, 2006
In Foreign Currencies	**8,615,362**	**9,940,621**
Inter-American Development Bank	110,428	155,353
International Bank for Reconstruction and Development	16,283	19,552
International Monetary Fund	8,487,661	9,764,727
Other	990	989
In Local Currency	**27,633**	**25,973**
Plata Basin Development Fund	27,633	25,973
TOTAL	**8,642,995**	**9,966,594**

The deposits of international financial organizations at the Bank are mainly demand deposits the IMF maintains in Brazil. They represent Brazil's participation in the Fund that was paid up in local currency. Other international financial organizations maintain deposit accounts at the Bank in order to pay their administrative expenses in Brazil.

21 - FINANCIAL INSTRUMENTS – BY CATHEGORY

Financial Assets	Dec 31, 2007		Dec 31, 2006	
	Foreign Currencies	Local Currency	Foreign Currencies	Local Currency
Held-to-maturity	-	7,661	-	7,126
Loans and receivables	45,601,171	20,798,027	40,147,853	15,498,082
Available-for-sale	10,151,701	359,327,701	11,370,376	303,853,172
Fair value through profit or loss - Held for Trading	302,364,365	393,822	149,462,616	1,640
Fair value through profit or loss - Designated by management	-	23,769,091	-	21,579,098
TOTAL	**358,117,237**	**404,296,302**	**200,980,845**	**340,939,118**

Financial Liabilities	Dec 31, 2007		Dec 31, 2006	
	Foreign Currencies	Local Currency	Foreign Currencies	Local Currency
Other	37,682,423	614,422,607	17,960,524	426,060,487
Fair value through profit or loss - Held for Trading	77,437	2,863	40,729	121,601
TOTAL	**37,759,860**	**614,425,470**	**18,001,253**	**426,182,088**

The fair value of the transactions measured by the amortized cost presents no significant differences of their market value, because these are on demand or short-term operations. The explanatory notes 33 thru 37 show risk policy of the Bank in the management of financial assets and liabilities.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 23

22 - PROVISIONS

	Dec 31, 2007	Dec 31, 2006
Legal Claims	2,100,178	1,148,323
Actuarial liabilities	8,174,326	6,810,963
TOTAL	**10,274,504**	**7,959,286**

22.1. Provisions for Legal Claims

As at December 31, 2007, the Bank was party to 25,902 lawsuits (3,585 as plaintiff and 23,317 as defendant) referring to various subjects, amongst which are economic plans, employment relationships, privatization procedures and liquidation procedures of financial institutions. As at December 31, 2006 there were 31,055 lawsuits in total, being 3,643 as plaintiff and 27,412 as defendant.

The Bank's legal department assesses the lawsuits taking into consideration the amount under judgment, the present stage of the lawsuit and the risk of loss. The risk of loss is determined based on previous decisions taken during the course of the lawsuit, jurisprudence and precedents of similar lawsuits.

A provision is recorded whenever the probability that the loss event will occur is classified as probable (i.e. whenever the probability of loss is considered more than 50%). The amount provided for consists of 100% of the value under judgment as well as estimated attorney fees to be born by the loser of the judicial dispute. The changes in the provision during the period are presented in the following table:

	2007	2006
Opening balance	**1,148,323**	**1,017,055**
Provision	1,434,946	1,517,926
Present Value Adjustment	(286,623)	(500,871)
Changes	**951,855**	**131,268**
Constitution	1,355,013	793,999
Reversal	(323,317)	(610,174)
Transfer to Court-ordered Payment Orders	(366,464)	(266,805)
Present Value Adjustment Reversal	286,623	214,248
Closing Balance	**2,100,178**	**1,148,323**
Provision	2,100,178	1,434,946
Present Value Adjustment	-	(286,623)

In 2007, in view of the decision of the Federal Council of Justice to determine that all the lawsuits should have their values adjusted, as of January 2003, by the Selic rate, a revision of the provisioned amounts, as well as the reversal of the present value adjustment was done, once the Selic rate is the market interest rate.

Also in 2007 several measures were adopted to improve the procedures for evaluation and control of legal provisions, seeking to correct any distortions in appraising the value and the defining the rate of risk, as well as in the recording of relevant information in the management system. Among these measures, the highlights are the reevaluation of the risk of loss of 27,238 legal claims and the review of the financial and juridical controls related to theses procedures.

The lawsuits in which the Bank considered the possibility of loss to be less than probable and more than remote were considered contingent liabilities and, thus, were not provided for. As of December 31, 2007, there were 13,202 lawsuits (2,782 in 2006) considered contingent liabilities, amounting to R$202,541,628 (R$ R$85,740,037 in 2006).

The change perceived is due to modification in the criteria for risk assessment of legal claims with the incorporation of the assumption that every lawsuit has a minimum risk of loss, unless there have been a favoring decision sentenced to the Bank. As a result of this modification, during 2007, all contingent lawsuits were reviewed and most of those that had a 0% risk were reclassified at 25% of risk. This revision caused a significant increase in the quantity and value of the legal claims at possible risk.

The table below presents the amounts of provisions and their respective adjustments broken down by the expected term for the settlement of the lawsuits:

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	Dec 31, 2007	Dec 31, 2006
2007	-	577,974
2008	312,542	91,475
2009	721,693	219,606
2010	328,664	56,719
2011	172,700	5,434
2012	93,845	4,753
2013	1,648	480
2014	19,000	43,849
2015	431,794	143,575
2016	7,337	4,061
2017	3,656	270
2018	4,682	127
2019	2,617	-
Total	**2,100,178**	**1,148,323**

The Bank, in accordance with court procedures, made deposits linked to its ongoing lawsuits. These deposits may be used in the following occasions:

a) Decision in favor of the Bank, when the court authorizes the Bank to redeem the deposit;
b) Decision against the Bank, and the court orders the transfer to the wining party;;
c) Decision against the Bank with the issuance of a court-ordered payment order: In this case, the court authorizes the Bank to redeem the deposit.

22.2. Provisions for actuarial liabilities

The bank sponsors post-employment benefit plans for its employees; which include retirement, pension and health care benefits. A summary of the existing plans, and the main assumptions used in the actuarial calculations, is presented below:

a) Retirement benefits to the employees retired up to 1990 – Centrus

A defined benefit plan whose purpose is to provide complementary benefits to the retirement and pension benefits paid by the social welfare system to employees who retired up to 1990. The plan is funded by contributions of the plan sponsor and the retired employees, allocated to Centrus, which is responsible for the management of the plan assets and payments. This plan is winding-down as no new participants are permitted.

b) Retirement benefits to the civil servants retired after 1990 – RJU

A defined benefit plan whose purpose is to provide for the payment of retirements and pensions in accordance with the Federal Constitution and Law 8,112.

The Bank and its civil servants contribute directly to the Federal Government to guarantee this benefit for the civil servants. However, there is no vinculum between these contributions and receiving the benefits. Thus, in view of current law, resources of the Bank fund this plan. The actuarial liability is recognized as a provision, and the plan assets are administered by Centrus.

c) Health-care benefíts – Faspe

A defined benefit plan whose purpose is the maintenance of a program designed to provide funding for the prevention of diseases and the maintenance and recovery of the health of the Bank’s employees and their dependents.

The plan is funded by contributions of the plan sponsor and the Bank’s employees. The employees pay a portion of the expenses incurred as prescribed by applicable regulation.

The contributions are allocated to the Faspe Fund, which is responsible for administering the plan’s resources and for the payment of the benefits.

d) Actuarial calculations

	Dec 31, 2007			Dec 31, 2006		
Provision Calculation	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Present value of the actuarial obligation for funded plans	2,836,096	9,394,601	630,064	2,581,782	8,047,265	571,328
(-) Fair value of the plan's assets	(5,929,965)	(1,784,227)	(66,112)	(4,735,517)	(1,735,642)	(71,988)
Net actuarial libilities (assets)	(3,093,869)	7,610,374	563,952	(2,153,735)	6,311,623	499,340
Actuarial liabilities (assets) recognized in the balance sheet	(3,093,869)	7,610,374	563,952	(2,153,735)	6,311,623	499,340

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The following table shows the information used in the actuarial calculations and the movements in the period of the respective amounts:

Present Value of the obligations reconciliation	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe	Dec 31, 2006 Centrus	Dec 31, 2006 RJU	Dec 31, 2006 Faspe
Present value of the actuarial obligation for funded plans at the beginning of the period	2,581,782	8,047,265	571,328	2,436,542	6,425,379	459,029
(+) Service cost for current period	-	134,593	30,070	-	101,371	25,502
(+) Interest cost	320,789	974,760	65,191	314,302	832,209	56,784
(-) Benefits paid in the period	(207,133)	(490,292)	(99,995)	(242,212)	(453,349)	(87,937)
(+) Participants contributions	13,729	-	44,093	13,770	-	23,622
(+) Actuarial losses	126,929	728,275	19,377	59,380	1,141,655	94,328
(=) Present value of the actuarial obligations at the end of the period	2,836,096	9,394,601	630,064	2,581,782	8,047,265	571,328

Plan assets - reconciliation	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe	Dec 31, 2006 Centrus	Dec 31, 2006 RJU	Dec 31, 2006 Faspe
Fair value of plan assets at the beginning of the period	4,735,517	1,735,642	71,988	4,052,216	1,834,257	70,772
(-) Paid benefits	(207,133)	(490,292)	(99,995)	(242,212)	(453,349)	(87,937)
(+) Participants contributions	13,729	-	44,093	13,770	-	23,622
(+) Sponsor contributions	13,729	-	44,093	13,770	-	39,441
(+) Assets expected yield	650,238	210,388	5,433	690,309	269,782	3,624
(+) Actuarial gains	723,885	328,489	500	207,664	84,952	22,466
Fair value of plan assets at the end of the period	5,929,965	1,784,227	66,112	4,735,517	1,735,642	71,988

Plan assets - percentage	Dec 31, 2007 RJU	Dec 31, 2007 Centrus	Dec 31, 2007 Faspe	Dec 31, 2006 RJU	Dec 31, 2006 Centrus	Dec 31, 2006 Faspe
Stocks	43.4%	43.4%	-	43.3%	43.3%	-
Debt securities issued by the Federal Governm	39.9%	39.9%	68.4%	35.8%	35.8%	70.6%
Property	3.6%	3.6%	-	4.4%	4.4%	-
Other	13.1%	13.1%	31.6%	16.5%	16.5%	29.4%

Income and expenses recognized in the Income Statement	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe	Dec 31, 2006 Centrus	Dec 31, 2006 RJU	Dec 31, 2006 Faspe
Other Expenses						
Service cost of the current period	-	134,593	30,070	-	101,371	25,502
Interest Income						
Expected yield from the plan assets	650,238	210,388	5,433	690,309	269,782	3,624
Interest Expense						
Interest cost	320,789	974,760	65,191	314,302	832,209	56,784

Actuarial assumptions	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Number of active employees	-	5,012	4,873
Number of retired employees	985	3,277	4,198
Number of pensioners	596	231	778
Discount rate	11.76%	11.04%	11.04%
Expected return from plan assets	15.86%	15.86%	8.57%
Inflation rate	4.5%	4.5%	4.5%
Rate of contribution for retired employees	7.5%	-	1 a 3%
Rate of contribution for plan sponsor	7.5%	-	até 3%
Salary growth expectation	-	6.75%	-
Medical costs trend rate	-	-	14.47%
General mortality table	AT 2000	AT 2000	AT 2000
Disabled employees mortality table	EX IAPC	EX IAPC	EX IAPC
Disability retirement table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Other information

– The expected yield of the assets of the plans was calculated based on a macroeconomic scenario expected for the year, as well as the cash flow provided for each type of asset

– The growth rate of medical costs was calculated based on the medical costs of the plan growth history in the last four years

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– A change of (+/-) 1% in the medical costs would impact the Faspe Fund as following:

	+1%	-1%
Service and interests cost	18,841	(14,921)
Obligations	117,448	(93,018)

- Estimates for 2008:

	Centrus	RJU	Faspe
Contributions	23,952	-	63,166
Benefits	250,116	523,845	111,555

- Historical information:

	2007	2006
Present value of the obligations	12,860,761	11,200,375
Fair value of the assets	7,780,304	6,543,147
Plan deficit	5,080,457	4,657,228
Experience adjustment arising on the plan liabilities	(769,620)	210,590
Experience adjustment arising on the plan assets	(1,052,874)	(315,082)

23 - OTHER LIABILITIES

	Dec 31, 2007	Dec 31, 2006
In foreign currencies	**1,316**	**67,178**
Discrepancy in CCR balances	-	65,855
Other	1,316	1,323
In Local currency	**24,946**	**21,798**
Operations registered in foreign currencies	21,888	19,297
Other	3,058	2,501
Total	**26,262**	**88,976**

24 - CURRENCY IN CIRCULATION

Currency in circulation represents the face value of the amount of banknotes and coins in circulation held by the general public and financial institutions.

The breakdown by denomination of banknotes and coins in circulation is shown below:

(Unless otherwise stated, amounts are expressed in thousands of Reais) 27

	Dec 31, 2007		Dec 31, 2006	
	Quantity	Value	Quantity	Value
Banknotes	**4,060,856,307**	**100,529,305**	**3,770,807,718**	**83,882,265**
R$1.00	283,450,108	283,450	428,355,088	428,355
R$2.00	593,475,820	1,186,952	471,199,733	942,399
R$5.00	350,451,016	1,752,255	319,862,086	1,599,310
R$10.00	833,824,201	8,338,242	901,051,357	9,010,514
R$20.00	529,793,514	10,595,870	399,675,817	7,993,516
R$50.00	1,372,272,592	68,613,630	1,223,163,872	61,158,194
R$100.00	97,589,056	9,758,906	27,499,765	2,749,977
Coins	**12,993,827,898**	**2,354,956**	**11,900,864,845**	**1,941,750**
R$0.01	3,190,414,817	31,904	3,189,317,693	31,893
R$0.05	3,036,433,722	151,822	2,791,807,294	139,590
R$0.10	3,347,779,055	334,778	3,031,555,174	303,156
R$0.25	1,339,586,260	334,897	1,210,224,455	302,556
R$0.50	1,156,116,337	578,058	1,026,811,474	513,406
R$1.00	923,497,707	923,497	651,148,755	651,149
Commemorative Coins	**-**	**786**	**-**	**738**
TOTAL		**102,885,047**		**85,824,753**

The currency in circulation raised 19,9%. This rise is mainly associated with the growth of the nominal Gross Domestic Product – GDP and with the expansion of credit operations. There were also influences of the flexibility of the monetary policy, the reduction of the unemployment rate and the positive evolution of the salaries and the average income of the workers.

25 - NET EQUITY

25.1. Retained Earnings

Retained earnings correspond to the Bank's accumulated result, which up to 1987 was incorporated into the Bank's equity. The balances as at December 31, 2006 have been adjusted due to the correction of errors in relation to Accounts Payable (note 19.2) and the recognition of post-employment benefit liabilities in accordance with IAS 19 – Employee benefits (note 22.2), made as of January 1, 2006, in order to permit for conclusion of the transition to IFRSs in 2007.

25.2. Reserves

a) Income Reserve – limited to 25% of the result of a given period, the income reserve is constituted for reducing the redemption of securities in the Bank's portfolio and, thus, for maintaining adequate conditions to execute the monetary policy;

b) Revaluation Reserve - resulting from revaluation of fixed assets used in business operations, made until 2004, which are to be realized in accordance with the useful lives of the assets.

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25.3. Gains (Losses) Recognized Directly in Equity

	Dec 31, .2007	Dec 31, .2006
Debt Securities Issued by the Federal Government		
Opening balance	7,267,402	2,283,883
Mark-to-market adjustments	(6,067,274)	4,229,047
Write-off	-	1,088,148
Transfers	-	(80)
Realization	-	(333,596)
Closing balance	1,200,128	7,267,402
Gold		
Opening balance	893,093	625,071
Mark-to-market adjustments	411,163	268,022
Realization	-	-
Closing balance	1,304,256	893,093
FCVS		
Opening balance	-	(66,734)
Mark-to-market adjustments	-	6,229
Write-off	-	60,425
Transfers	-	80
Closing balance	-	-
Investments in International Financial Organizations		
Opening balance	(4,070,063)	(3,674,845)
Mark-to-market adjustments	(1,287,065)	(395,218)
Closing balance	(5,357,128)	(4,070,063)
Actuarial gains (losses) (note 22.2)	(801,988)	(980,281)
TOTAL	**(3,654,732)**	**3,110,151**

The significant variation observed in mark to market adjustments of the Debt Securities Issued by the Federal Government results from the increase of the fixed rate securities portfolio and also from the rise of the discount rates used in the secondary market observed during the second half of 2007. The change in the investments in International Financial Organizations is due to the Real appreciation in relation to SDR.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 29

26 - NET INTEREST INCOME

	2007	2006
Foreign Currencies Operations		
Interest income	**2,313,452**	**1,769,184**
Cash and Cash Equivalents	404,203	396,332
Deposits	1,338,949	1,154,623
Commitment under agreements	561,317	207,071
Other	8,983	11,158
Interest expenses	**(589,023)**	**(289,505)**
Commitment under agreements	(502,894)	(175,695)
Loans	(52,658)	(76,855)
Other	(33,471)	(36,955)
Net income	**1,724,429**	**1,479,679**
Local Currency Operations		
Interest income	**41,731,045**	**44,907,708**
Securities operations	39,287,581	42,364,576
Other	2,443,464	2,543,132
Interest expenses	**(57,347,826)**	**(50,095,284)**
Deposits Received from Financial Institutions	(8,364,871)	(8,514,881)
Commitment under agreements	(19,496,752)	(13,200,029)
Federal Government	(27,760,956)	(25,886,004)
Other	(1,725,247)	(2,494,370)
Net income	**(15,616,781)**	**(5,187,576)**
Total Interest income	**44,044,497**	**46,676,892**
Total Interest expenses	**(57,936,849)**	**(50,384,789)**
Total Interest net income (loss)	**(13,892,352)**	**(3,707,897)**

The significant variation in the interest expenses in local currency operations is due mainly from the Bank performance controlling the market liquidity (Note 7.1).

27 - GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS "AT FAIR VALUE THROUGH PROFIT OR LOSS" – HELD FOR TRADING

	2007	2006
Foreign Currencies Operations	(20,557,617)	(2,269,443)
Debt securities	(20,574,458)	(2,268,640)
Derivatives	16,841	(803)
Local Currency Operations	(8,301,235)	(5,589,931)
Derivatives	(8,301,237)	(5,589,991)
Other	2	60

It refers to the change in the price of assets classified in this category. It includes the exchange rate, the interests and the mark-to-market adjustments. This variation is due, mainly, from the change in the exchange rate occurred in the period.

28 - GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS "AT FAIR VALUE THROUGH PROFIT OR LOSS" – DESIGNATED UPON INITIAL RECOGNITION

Includes the interest and the mark-to-market adjustments for the receivables from financial institutions under extrajudicial liquidation (Note 11).

(Unless otherwise stated, amounts are expressed in thousands of Reais) 30

29 - GAINS (LOSSES) FROM FOREIGN EXCHANGE/GAINS (LOSSES) FROM FOREIGN CURRENCY-LINKED OPERATIONS

This item refers to the foreign exchange variation on (i) assets and liabilities denominated in foreign currencies and (ii) assets and liabilities in local currency but linked to foreign exchange variations that are not classified in the category Fair Value Through Profit or Loss.

	2007	2006
Foreign Currencies Operations	**(4.453.066)**	**(1.854.986)**
Time Deposits	(4.496.663)	(1.627.441)
Cash and Cash Equivalents	(2.098.129)	(665.290)
Liabilities from International Financial Organizations	1.307.509	406.684
Other	834.217	31.061
Operações em moeda local	**(1.860.001)**	**(1.503.394)**
Debt securities issued by the Federal Government	(1.867.438)	(2.080.341)
Debt securities in issue	-	549.351
Other	7.437	27.596

30 - OTHER INCOME AND EXPENSES

	2007	2006
Other Income	**2.739.947**	**1.877.576**
Fines	91.788	113.205
Transfer under the Budget Law by the National Treas	520.819	695.375
Court-ordered payment orders	47.564	41.931
Provision for legal claims	667.083	863.084
Fees	135.289	133.560
Liabilities derecognition	1.220.816	-
Other	56.588	30.421
Other Expenses	**(3.379.808)**	**(2.295.554)**
Personnel	(1.035.001)	(888.524)
Cost of production and distribution of currency	(483.591)	(367.527)
Provision for legal claims	(1.620.887)	(793.999)
Depreciation	(34.199)	(37.053)
Other administratives expenses	(181.944)	(163.944)
Other	(24.186)	(44.507)

The income from liabilities derecognition is due to the extinction of the Bank debt with Centrus occurred in 2007 (Note 19.1). The significant variation in expenses for provision for legal claims results from the change in the index of the legal claims already provisioned (Note 22.1).

31 - NET INCOME

The 2007 net income results, mainly, from the variation in the exchange rate of the Real in relation to the other currencies, once there a rise in the exchange rate reduces the value, in local currency, of the assets denominated in foreign currencies. As well as in 2006, it is important to notice that once the government assets and liabilities denominated in foreign currencies are accounted for in different institutions (basically the Bank and the National Treasury) there is a mismatch between foreign currencies assets and liabilities, generating an opposite signal results in the Bank (main holder of foreign currencies assets, represented mainly by international reserves and reverse currency swaps) and the National Treasury (holder of foreign currencies liabilities, represented mainly by the external federal public debt). Thus, an important part of the negative result of the Bank, due to the rise of the Real in relation of other currencies, has a counterpart in positive result for the National Treasury.

The net loss from the assets and liabilities denominated in foreign exchange of the consolidated public sector must be seen in the context of the economic policy of the government. Among other feats, the accumulation of assets linked to foreign currencies aimed to strengthen Brazil ability to resist to external shocks and the raise international financial community confidence in the country, which turns the economic environment better for investment and growth. The behavior of Brazilian financial markets since July 2007, when the international financial turmoil was intensified, has shown the rightness of the policy of enlargement of reserves.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 31

32 - CASH AND CASH EQUIVALENTS

In the Statement of Cash Flows, the item "Cash and cash equivalents", in addition to cash in specie, also comprises demand deposits and short-term time deposits at financial institutions, as shown in the following table:

	Dec 31, 2007	Dec 31, 2006
Cash	31,156	123,779
Demand Deposits	1,113,439	1,606,433
Uncommited deposits	134,408	243,044
Foreign currencies to be received	979,031	1,363,389
Short-term deposits	3,117,110	8,836,380
Total	4,261,705	10,566,592

33 - RISK MANAGEMENT

The Bank uses financial instruments to achieve the objectives of the monetary policy and also to manage the international reserves. Hence, the core objective in carrying those assets is not to make profit but rather to hold adequate instruments for the enhanced performance of its functions as a monetary authority. In view of that, the Bank's risk management policy differs from the policies of other institutions.

For this purpose, the Bank holds two large portfolios of financial instruments that have distinct characteristics and are subject to two different risk administration policies:

a) Financial instruments held in order to manage the international reserves:

Brazil's international reserves are kept with the intention of guaranteeing the repayment of the short-term foreign sovereign debt while also contributing to reducing both the vulnerability of the Brazilian economy to external shocks and the perception of risk by foreign investors.

In investing the international reserves the Bank aims at achieving liquidity, security and profitability in-line with its overall objectives, through diversification of the financial instruments portfolio it maintains.

b) Financial instruments held in order to carry out the monetary policy:

The Bank's portfolio of Brazilian federal government debt securities issued by the Brazilian National Treasury is managed primarily in order to fulfill the objectives of the monetary and foreign exchange policies, generally by means of open market operations. With respect to the exchange rate swaps (note 8.2) the Bank's target is to enhance the hedging capability of the economic agents and to correct possible distortions in the foreign exchange coupon curve.

Notes 33 to 37 show the main risks to which both portfolios of financial instruments are exposed as well as the Bank's policy for the management of those risks.

34 - CREDIT RISK

Credit risk is defined as the possibility of loss related to counterparty not honoring its obligations.

a) Financial instruments held in order to manage the international reserves:

The Board of Directors defines limits for allocation of resources in deposit placements with financial institutions. There are limits both for counterparties and for the portfolio as a whole, which consider the amount of resources that may be placed in each institution and the minimum admissible ratings. An in-house developed credit risk model imposes diversification between institutions and geographic areas. The minimum-rating requirement for qualification of long-term placements is an "A" by Moody's and a P-1 minimum by Moody's for short-term.

With respect to securities, the Bank trades sovereign debt securities, requiring issuers to have a minimum "A3" rating by Moody's, and securities issued by government and supranational agencies, requiring issuers to have a minimum "Aaa" rating. For the securities portfolio other limitations are prescribed as follows: (i) a minimum of 65% of the whole portfolio must be invested in sovereign debt securities; (ii) a maximum of 25% of the whole portfolio may be allocated in governmental agency debt securities; and (iii) a maximum of 25% of the whole portfolio may be allocated in supranational and multilateral organizations and also in issues by the Bank for International Settlements (BIS).

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With respect to operations with derivatives, they must comply with the minimum rating criteria for the counterparty and to the limits fixed for the portfolio as a whole.

b) Financial instruments held in order to carry out the monetary policy:

The Bank's securities portfolio is composed exclusively of securities issued by the federal government, which are considered risk-free instruments.

The swap contracts are recorded in the Futures and Commodities Exchange (BM&F), a clearinghouse that is the central counterparty in such operations. The BM&F's credit risk policy requires collateral from every participating entity.

The amount of collateral is calculated using stress tests that consider the total possible losses until the settlement of the contracts. The assets accepted as collateral instruments are federal government debt securities, bank guarantees, certificates of deposit, equity securities, gold and cash, among others. The majority of the participants in the clearinghouse, including the Bank, collateralize their trades through the assignment of federal government debt securities, which, for conservatism, are assessed using a calculation formula that imputes discounts relative to market prices.

c) The concentration of investments in geographical areas is presented in the following table:

	Dec 31, 2007	Dec 31, 2006
Brazil	407,558,624	345,021,048
European Union	58,771,907	36,150,363
United States of America	289,348,597	151,105,662
Others	6,734,411	9,642,890
Total	**762,413,539**	**541,919,963**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 33

d) The following table shows the concentration of investments in counterparties:

Dec 31, 2007

	Financial Institutions	International Financial Organization	Government Institutions	Other	Total
Cash and Cash Equivalents	4,226,740	3,720	31,245	-	4,261,705
Deposits	13,600,365	568,579	-	-	14,168,944
In foreign currencies	13,002,209	568,579	-	-	13,570,788
In local currency	598,156	-	-	-	598,156
Financial Assets Purchased under Agreement to resell	30,559,566	-	-	-	30,559,566
In foreign currencies	27,768,670	-	-	-	27,768,670
In local currency	2,790,896	-	-	-	2,790,896
Derivatives	435,430	-	-	-	435,430
In foreign currencies	41,608	-	-	-	41,608
In local currency	393,822	-	-	-	393,822
Debt securities	-	20,661,112	626,548,588	14,448,419	661,658,119
In foreign currencies	-	20,661,112	267,213,226	14,448,419	302,322,757
In local currency	-	-	359,335,362	-	359,335,362
Receivables from the Federal Government	-	-	17,350,687	-	17,350,687
Credits Receivable	-	-	-	23,803,245	23,803,245
In local currency	-	-	-	23,803,245	23,803,245
Investments in International Financial Organizations	-	8,556,444	-	-	8,556,444
Other	948,354	-	646,911	24,134	1,619,399
In foreign currencies	948,354	-	646,911	-	1,595,265
In local currency	-	-	-	24,134	24,134
Total Assets	**49,770,455**	**29,789,855**	**644,577,431**	**38,275,798**	**762,413,539**

Dec 31, 2006

	Financial Institutions	International Financial Organization	Government Institutions	Other	Total
Cash and Cash Equivalents	9,890,141	18,015	658,436	-	10,566,592
Deposits	28,004,518	615,318	-	-	28,619,836
In foreign currencies	27,394,568	615,318	-	-	28,009,886
In local currency	609,950	-	-	-	609,950
Financial Assets Purchased under Agreement to resell	2,004,614	-	-	-	2,004,614
In foreign currencies	1,500,113	-	-	-	1,500,113
In local currency	504,501	-	-	-	504,501
Derivatives	39,280	-	-	-	39,280
In foreign currencies	37,640	-	-	-	37,640
In local currency	1,640	-	-	-	1,640
Debt securities	-	3,203,462	432,948,025	17,133,787	453,285,274
In foreign currencies	-	3,203,462	129,087,727	17,133,787	149,424,976
In local currency	-	-	303,860,298	-	303,860,298
Receivables from the Federal Government	-	-	14,322,275	-	14,322,275
Credits Receivable	(81,568)	1,541	151,289	21,615,930	21,687,192
In foreign currencies	(81,568)	1,541	151,289	-	71,262
In local currency	-	-	-	21,615,930	21,615,930
Investments in International Financial Organizations	-	9,843,509	-	-	9,843,509
Other	934,954	-	591,913	24,524	1,551,391
In foreign currencies	934,954	-	591,913	-	1,526,867
In local currency	-	-	-	24,524	24,524
Total liabilities	**40,791,939**	**13,681,845**	**448,671,938**	**38,774,241**	**541,919,963**

35 - MARKET RISK

Market risk is the risk resulting from variations occurring in market factors, such as interest rates and foreign exchange rates.

a) Financial instruments held in order to manage the international reserves:

With respect to market risk, the management of the international reserves is monitored using the Value at Risk (VaR) methodology. On a daily basis, various limits authorized by the Board of Governors are observed. Deviations from a reference portfolio are allowed so as to take advantage of market opportunities as they arise. The model used to calculate VaR is based on RiskMetrics, with a level of confidence of 95%. Quarterly backtesting is performed upon presentation of the Bank's results to the Board of Governors.

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The Investment Strategy Committee, in which the Deputy Governor for Monetary Policy and the Head of Foreign Reserves Department are part, authorized currency forward operations in currencies different from those used as hedges of the short-term sovereign debt. This strategy includes currencies of countries with minimum AA- rating, the majority with AAA rating. The futures transactions must be held in stock markets located in countries rated AAA.

b) Financial instruments held in order to carry out the monetary policy:

In view of its objectives, the Bank does not operate with the aim of mitigating the market risk in the portfolio held to carry out the monetary policy. However, that risk is monitored continuously using the VaR calculated for the Bank, which includes all exposures shown in the balance sheet.

35.1. Interest rate risk

This is defined as the risk resulting from the variations in interest rates, which affect the fair value of fixed-rate financial instruments and the future cash flows of those paying variable rates. The following table shows the Bank's exposure to both types of risk.

	Dec 31, 2007		Dec 31, 2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Fixed-rate	559,057,758	187,158,135	383,524,685	59,662,081
Variable rate	192,193,396	409,123,798	141,427,004	331,435,643
Non-interest bearing	11,162,385	55,903,397	16,968,274	53,085,617
Total	**762,413,539**	**652,185,330**	**541,919,963**	**444,183,341**

The table below presents the financial instruments of the Bank's portfolio according to their maturity date (fixed-rate) or according to their repricing date (variable rate).

(Unless otherwise stated, amounts are expressed in thousands of Reais) 35

Dec 31, 2007

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets							
Cash and Cash Equivalents	3,133,329	-	-	-	-	1,128,376	4,261,705
Deposits	11,809,448	2,359,496	-	-	-	-	14,168,944
In foreign currencies	11,211,292	2,359,496	-	-	-	-	13,570,788
In local currency	598,156	-	-	-	-	-	598,156
Financial Assets Purchased under Agreement to Resell	30,206,272	-	-	-	-	353,294	30,559,566
In foreign currencies	27,415,376	-	-	-	-	353,294	27,768,670
In local currency	2,790,896	-	-	-	-	-	2,790,896
Derivatives	-	-	-	-	-	435,430	435,430
In foreign currencies	-	-	-	-	-	41,608	41,608
In local currency	-	-	-	-	-	393,822	393,822
Debt securities	191,159,612	27,462,452	42,890,428	331,820,796	68,324,831	-	661,658,119
In foreign currencies	5,424,080	8,703,574	6,200,991	231,820,316	50,173,796	-	302,322,757
In local currency	185,735,532	18,758,878	36,689,437	100,000,480	18,151,035	-	359,335,362
Receivables from the Federal Government	17,346,831	-	-	-	-	3,856	17,350,687
Credits Receivable	23,790,752	-	-	-	-	12,493	23,803,245
In local currency	23,790,752	-	-	-	-	12,493	23,803,245
Investments in International Financial Organizations	-	-	-	-	-	8,556,444	8,556,444
Other	-	946,907	-	-	-	672,492	1,619,399
In foreign currencies	-	946,907	-	-	-	648,358	1,595,265
In local currency	-	-	-	-	-	24,134	24,134
Total Assets (A)	**277,446,244**	**30,768,855**	**42,890,428**	**331,820,796**	**68,324,831**	**11,162,385**	**762,413,539**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	978,447	978,447
In foreign currencies	-	-	-	-	-	261,831	261,831
In local currency	-	-	-	-	-	716,616	716,616
Deposits Received from Financial Institutions	100,776,991	-	-	-	-	45,196,914	145,973,905
In foreign currencies	-	-	-	-	-	478	478
In local currency	100,776,991	-	-	-	-	45,196,436	145,973,427
Financial Assets Sold under Agreement to Repurchase	158,290,404	48,465,915	10,863,773	-	-	353,295	217,973,387
In foreign currencies	27,413,002	-	-	-	-	353,295	27,766,297
In local currency	130,877,402	48,465,915	10,863,773	-	-	-	190,207,090
Derivatives	-	-	-	-	-	80,300	80,300
In foreign currencies	-	-	-	-	-	77,437	77,437
In local currency	-	-	-	-	-	2,863	2,863
Loans Payable	-	8,411	2,101	17,465	1,004,582	-	1,032,559
Payables to the Federal Government	275,843,164	-	-	-	-	490,455	276,333,619
Deposits Received from International Financial Organizations	-	-	-	-	-	8,642,995	8,642,995
In foreign currencies	-	-	-	-	-	8,615,362	8,615,362
In local currency	-	-	-	-	-	27,633	27,633
Accounts Payable	1,010,510	4	-	-	(1,387)	134,729	1,143,856
In foreign currencies	5,963	4	-	-	(1,387)	-	4,580
In local currency	1,004,547	-	-	-	-	134,729	1,139,276
Other	-	-	-	-	-	26,262	26,262
In foreign currencies	-	-	-	-	-	1,316	1,316
In local currency	-	-	-	-	-	24,946	24,946
Total Liabilities (B)	**535,921,069**	**48,474,330**	**10,865,874**	**17,465**	**1,003,195**	**55,903,397**	**652,185,330**
Net Position (A - B)	**(258,474,825)**	**(17,705,475)**	**32,024,554**	**331,803,331**	**67,321,636**	**(44,741,012)**	**110,228,209**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 36

Dec 31, 2006

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Assets							
Cash and Cash Equivalents	8,503,308	-	-	-	-	2,063,284	10,566,592
Deposits	16,010,808	8,333,828	-	-	-	4,275,200	28,619,836
In foreign currencies	15,400,858	8,333,828	-	-	-	4,275,200	28,009,886
In local currency	609,950	-	-	-	-	-	609,950
Financial Assets Purchased under Agreement to Resell	2,004,614	-	-	-	-	-	2,004,614
In foreign currencies	1,500,113	-	-	-	-	-	1,500,113
In local currency	504,501	-	-	-	-	-	504,501
Derivatives	-	-	-	-	-	39,280	39,280
In foreign currencies	-	-	-	-	-	37,640	37,640
In local currency	-	-	-	-	-	1,640	1,640
Debt securities	131,607,475	32,651,268	56,223,597	216,014,053	16,788,881	-	453,285,274
In foreign currencies	403,671	3,636,621	11,862,501	125,430,544	8,091,639	-	149,424,976
In local currency	131,203,804	29,014,647	44,361,096	90,583,509	8,697,242	-	303,860,298
Receivables from the Federal Government	14,284,589	-	-	-	-	37,686	14,322,275
Credits Receivable	21,663,778	(692)	-	-	-	24,106	21,687,192
In foreign currencies	65,413	(692)	-	-	-	6,541	71,262
In local currency	21,598,365	-	-	-	-	17,565	21,615,930
Investments in International Financial Organizations	-	-	-	-	-	9,843,509	9,843,509
Other	67,555	798,627	-	-	-	685,209	1,551,391
In foreign currencies	67,555	798,627	-	-	-	660,685	1,526,867
In local currency	-	-	-	-	-	24,524	24,524
Total Assets (A)	**194,142,127**	**41,783,031**	**56,223,597**	**216,014,053**	**16,788,881**	**16,968,274**	**541,919,963**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	6,031,467	6,031,467
In foreign currencies	-	-	-	-	-	4,955,147	4,955,147
In local currency	-	-	-	-	-	1,076,320	1,076,320
Deposits Received from Financial Institutions	82,031,266	-	-	-	-	36,407,966	118,439,232
In foreign currencies	-	-	-	-	-	577	577
In local currency	82,031,266	-	-	-	-	36,407,389	118,438,655
Financial Assets Sold under Agreement to Repurchase	37,294,999	38,848,965	3,227,650	-	-	-	79,371,614
In foreign currencies	1,499,992	-	-	-	-	-	1,499,992
In local currency	35,795,007	38,848,965	3,227,650	-	-	-	77,871,622
Derivatives	-	-	-	-	-	162,330	162,330
In foreign currencies	-	-	-	-	-	40,729	40,729
In local currency	-	-	-	-	-	121,601	121,601
Loans Payable	-	164,338	150,483	25,267	1,156,921	-	1,497,009
Deposits Received from International Financial Organizations	-	-	-	-	-	9,966,594	9,966,594
In foreign currencies	-	-	-	-	-	9,940,621	9,940,621
In local currency	-	-	-	-	-	25,973	25,973
Payables to the Federal Government	226,047,319	-	-	-	-	409,491	226,456,810
Accounts Payable	2,084,660	-	-	-	-	84,649	2,169,309
In local currency	2,084,660	-	-	-	-	84,649	2,169,309
Other	65,856	-	-	-	-	23,120	88,976
In foreign currencies	65,856	-	-	-	-	1,322	67,178
In local currency	-	-	-	-	-	21,798	21,798
Total Liabilities (B)	**347,524,100**	**39,013,303**	**3,378,133**	**25,267**	**1,156,921**	**53,085,617**	**444,183,341**
Net Position (A - B)	**(153,381,973)**	**2,769,728**	**52,845,464**	**215,988,786**	**15,631,960**	**(36,117,343)**	**97,736,622**

35.2. Exchange rate variation risk

Exchange rate risk is defined as the possibility of loss resulting from variations in foreign exchange rates. The Bank has financial assets and liabilities in foreign currencies or linked to exchange rate variation and thus is exposed to this risk.

In view of its objectives, it is not the Bank's policy to mitigate the risk to exchange rate variations. These exposures are shown in the table below.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 37

Dec 31, 2007

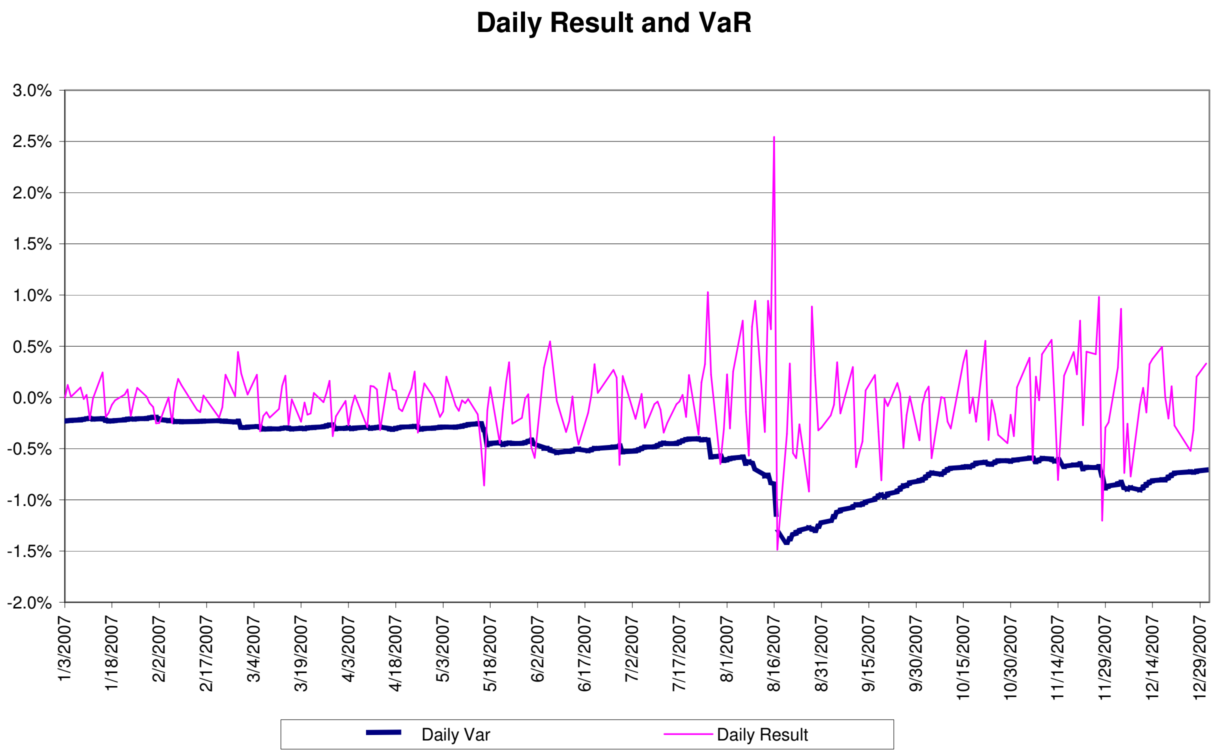
	US$	Euro	SDR	Other	Total
Assets					
Cash and Cash Equivalents	3,690,346	446,437	3,720	121,202	4,261,705
Time Deposits Placed with Financial Institutions	13,307,876	262,912	-	-	13,570,788
Financial Assets Purchased Under Agreements to Resell	27,768,670	-	-	-	27,768,670
Derivatives	16,803	3,231	-	21,574	41,608
Debt Securities in Foreign Currencies	272,484,269	29,838,488	-	-	302,322,757
Securities linked to Exchange Rate Variations	2,692,091	-	-	-	2,692,091
Investments in International Financial Organizations	-	-	8,556,444	-	8,556,444
Other	1,595,265	-	-	-	1,595,265
Total Assets (A)	**321,555,320**	**30,551,068**	**8,560,164**	**142,776**	**360,809,328**
Liabilities					
Items in the Course of Collection	1,785	260,046	-	-	261,831
Deposits Received from Financial Institutions	478	-	-	-	478
Financial Assets Sold Under Agreements to Repurchase	27,766,297	-	-	-	27,766,297
Derivatives	72,876	4,561	-	-	77,437
Loans Payable	24,093	-	1,008,466	-	1,032,559
Accounts Payable	4,580	-	-	-	4,580
Deposits Received from International Financial Organizations	126,711	-	8,487,661	990	8,615,362
Other	1,300	16	-	-	1,316
Total do Liabilities (B)	**27,998,120**	**264,623**	**9,496,127**	**990**	**37,759,860**
Derivatives - Short position (C)	**55,335,536**	**1,120,022**	**-**	**1,618,124**	**58,073,682**
Derivatives - Long position (D)	**17,111,934**	**3,086,254**	**-**	**5,220,525**	**25,418,713**
Net position (A - B + C - D)	**331,780,802**	**28,320,213**	**(935,963)**	**(3,460,615)**	**355,704,437**

Dec 31, 2006

	US$	Euro	SDR	Other	Total
Assets					
Cash and Cash Equivalents	9,450,858	985,040	18,015	112,679	10,566,592
Time Deposits Placed with Financial Institutions	25,853,652	1,078,983	-	1,077,251	28,009,886
Financial Assets Purchased Under Agreements to Resell	1,500,113	-	-	-	1,500,113
Derivatives	6,915	1,349	-	29,376	37,640
Debt Securities in Foreign Currencies	132,437,605	16,987,371	-	-	149,424,976
Securities linked to Exchange Rate Variations	14,748,848	-	-	-	14,748,848
Credits Receivable	71,262	-	-	-	71,262
Investments in International Financial Organizations	-	-	9,843,509	-	9,843,509
Other	1,526,867	-	-	-	1,526,867
Total Assets (A)	**185,596,120**	**19,052,743**	**9,861,524**	**1,219,306**	**215,729,693**
Liabilities					
Items in the Course of Collection	4,353,734	601,413	-	-	4,955,147
Deposits Received from Financial Institutions	577	-	-	-	577
Financial Assets Sold Under Agreements to Repurchase	1,499,992	-	-	-	1,499,992
Derivatives	8,689	2,689	-	29,351	40,729
Loans Payable	-	-	-	-	-
Loans Payable	335,788	10	1,161,211	-	1,497,009
Deposits Received from International Financial Organizations	174,892	-	9,764,727	1,002	9,940,621
Other	67,178	-	-	-	67,178
Total do Liabilities (B)	**6,440,850**	**604,112**	**10,925,938**	**30,353**	**18,001,253**
Derivatives - Short position (C)	**41,097,698**	**207,860**	**-**	**1,068,431**	**42,373,989**
Derivatives - Long position (D)	**1,476,795**	**207,769**	**-**	**1,068,431**	**2,752,995**
Posição líquida (A - B + C - D)	**218,776,173**	**18,448,722**	**(1,064,414)**	**1,188,953**	**237,349,434**

35.3. VaR Analisys

The following graph presents the Bank's daily result and Value at Risk (VaR), based on the Riskmetrics model, with confidence level of 95%. The Bank's VaR provides a sensitivity analysis that reflects the interdependence between risk variables (e.g., interest rates and exchange rates). The Bank used a historic series of its daily result for the year of 2007 to calculate the Bank's VaR.



The daily Bank's VaR at the end of 2007 is 0.7%, scaled to 11.11% annually. Thus, with a 95% confidence level, the Bank would not have an annual loss greater than 11.11% of its total assets. The Bank's average daily VaR for this year was 0.55% (8.73 annual). Thus, the R$47 billion negative result observed in the period is compatible with the degree of market risk exposure of the Bank's portfolio. In 2006, the average daily Bank's VaR was 0.4% (6.34% annual).

It is important to notice that, in 2007, there was not an extreme event with any of the variables that affect the risk exposure of the Bank's portfolio, in special with the exchange rate. Thus, if the Bank did not constitute a reasonable volume of International Reserves, the country would be much more exposed to an abrupt variation of the exchange rate, which would be an extreme event, and that could generate results with magnitude greater than the actual ones, even if the nominal exposure of the balance sheet was smaller.

36 - LIQUIDITY RISK

Liquidity risk contemplates eventual difficulties in trading securities in a secondary market, such that the market is not capable of absorbing the volume that one wishes to negotiate without causing relevant price changes.

a) Financial instruments held in order to manage the international reserves:

The Bank's liquidity risk management policy aims at guaranteeing that the Bank will be able to meet all of its financial obligations. Therefore, so as to guarantee the tradability in the secondary market of the portfolio, and to prevent the occurrence of abrupt price movements, the Bank's liquidity risk management policy comprises management of the diversification of maturities and the establishment of limits. For this reason, the policy ensures immediate liquidity even for issues with longer maturities.

b) Financial instruments held in order to carry out the monetary policy:

In view of its attributes as the monetary authority, which include management of the liquidity of the financial system, the Bank is not subject to the limitations stemming from unmatched maturities between assets and liabilities denominated in local currency.

c) Maturities:

The following table presents the contractual maturities of foreign currencies financial assets and liabilities:

(Unless otherwise stated, amounts are expressed in thousands of Reais) 39

Dec 31, 2007

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	4,261,705	-	-	-	-	4,261,705
Time Deposits Placed with Financial Institutions	11,211,292	2,359,496	-	-	-	13,570,788
Financial Assets Purchased Under Agreements to Resell	27,768,670	-	-	-	-	27,768,670
Derivatives	41,608	-	-	-	-	41,608
Debt Securities	5,424,080	8,703,574	6,200,991	231,820,316	50,173,796	302,322,757
Investments in International Financial Organizations (*)	-	-	-	-	8,556,444	8,556,444
Other (*)	648,358	946,907	-	-	-	1,595,265
Total Assets (A)	**49,355,713**	**12,009,977**	**6,200,991**	**231,820,316**	**58,730,240**	**358,117,237**
Liabilities						
Items in the Course of Collection	261,831	-	-	-	-	261,831
Deposits Received from Financial Institutions	-	-	-	-	478	478
Financial Assets Sold Under Agreements to Repurchase	27,766,297	-	-	-	-	27,766,297
Derivatives	77,437	-	-	-	-	77,437
Loans Payable	-	8,410	2,101	17,465	1,004,583	1,032,559
Accounts Payable	6,175		3,060	(4,655)		4,580
Deposits Received from International Financial Organizations	-	-	-	-	8,615,362	8,615,362
Other	1,316	-	-	-	-	1,316
Total Liabilities (B)	**28,113,056**	**8,410**	**5,161**	**12,810**	**9,620,423**	**37,759,860**
Net Position (A - B)	**21,242,657**	**12,001,567**	**6,195,830**	**231,807,506**	**49,109,817**	**320,357,377**

(*) Since the investments in international financial organizations and in gold have no maturity, they were classified under the heading More than 5 years

Dec 31, 2006

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	10,566,592	-	-	-	-	10,566,592
Time Deposits Placed with Financial Institutions	19,676,058	8,333,828	-	-	-	28,009,886
Financial Assets Purchased Under Agreements to Resell	1,500,113	-	-	-	-	1,500,113
Derivatives	37,640	-	-	-	-	37,640
Debt Securities	403,671	3,636,621	11,862,501	125,430,544	8,091,639	149,424,976
Credits Receivable	62,496	(692)	7,917	-	1,541	71,262
Investments in International Financial Organizations (*)	-	-	-	-	9,843,509	9,843,509
Other (*)	135,110	798,627	-	-	593,130	1,526,867
Total Assets (A)	**32,381,680**	**12,768,384**	**11,870,418**	**125,430,544**	**18,529,819**	**200,980,845**
Liabilities						
Items in the Course of Collection	4,955,147	-	-	-	-	4,955,147
Deposits Received from Financial Institutions	-	-	-	-	577	577
Financial Assets Sold Under Agreements to Repurchase	1,499,992	-	-	-	-	1,499,992
Derivatives	40,588	141	-	-	-	40,729
Loans Payable	-	164,338	150,483	25,267	1,156,921	1,497,009
Deposits Received from International Financial Organizations	9,940,621	-	-	-	-	9,940,621
Other	1,323	65,855	-	-	-	67,178
Total Liabilities (B)	**16,437,671**	**230,334**	**150,483**	**25,267**	**1,157,498**	**18,001,253**
Net Position (A - B)	**15,944,009**	**12,538,050**	**11,719,935**	**125,405,277**	**17,372,321**	**182,979,592**

(*) Since the investments in international financial organizations and in gold have no maturity, they were classified under the heading More than 5 years

37 - OPERATIONAL RISK

Operational risk is the possibility of loss resulting from inadequacies or failures in internal processes, automated systems or people. In controlling and preventing the occurrence of this risk, the Bank uses internal control systems, which are considered adequate for its activities. The Bank's bylaws establish the scope of each department and the attributions and duties of each one of their managerial personnel (Internal Rules and Organization and Administration Manual). There are also internal regulations that define criteria and procedures for every activity performed by the Bank.

The Internal Audit Department regularly enforces compliance with internal regulations and the applicability of the internal control systems.

In addition, the heads of the departments certify, half-yearly, on the consistency of the internal controls in relation to the operations performed under their supervision. This procedure permits the Deputy Governor for Administration and the Head of the Accounting and Financial Administration Department to issue a statement of responsibility to the external audit firm on behalf of the Bank on the quality of the internal controls.

38 - RELATED PARTIES

In accordance with IAS 24 – Related Party Disclosures, the following institutions are related parties of the Bank:

38.1. The Brazilian Federal Government

The Bank, a federal government agency linked to the Ministry of Finance, is part of the National Financial System (SFN). Therefore, it is subject to the rulings of the National Monetary Council (CMN). The CMN, the highest deliberative body of the SFN, formulates the directives for monetary, credit and foreign exchange policies, and the characteristics of the monetary and exchange rate policies instruments. The CMN also rules on the operations and procedures of financial institutions as well as on their supervision and is responsible for approving the Bank's financial statements and accounting systems.

The Governor and the Board of Directors of the Bank, who do not hold fixed-term positions, are appointed by the President of the Republic and approved by the National Congress.

The National Congress approves the budgetary provisions for the Bank's expenditures on maintenance. The financial execution of these provisions must be within the limits established by the Executive Branch of the Federal Government.

The Federal Constitution and subsequent pertinent legislation regulate all transactions occurring between the Bank and the National Treasury, the most important of which are the following:

a) National Treasury operating account:

The financial resources of the Brazilian Federal Government must be deposited in the Bank in an interest-bearing demand deposit account that pays interest equivalent to the average yield of the Brazilian federal government debt securities that the Bank holds in its portfolio, excluding mark-to-market adjustments (note 10). In 2007, the aforementioned yield was 12.65% (15.07% in 2006).

b) The Bank's results:

The positive result of the Bank, after constitution or reversal of reserves, is considered an obligation the Bank has to the National Treasury and must be settled not later than the tenth business day subsequent to approval of the Bank's financial statements by the CMN. The negative results constitute a right of the Bank against the National Treasury that must be received not later than the tenth business day of the year subsequent to approval of the financial statements. Both amounts are updated until the date of the effective transfer and are remunerated by the same interest rate paid on the National Treasury operating account (notes 10 and 31).

c) Transfer under Budget Law:

The Bank makes use of the resources received under the Budget Law to pay for part of its administrative expenses.

d) Payment of Lawsuits:

The payments of lawsuits in which the Federal Government or any of its agencies are a party have been centralized under the responsibility of the courts where they are handled. Those courts have to deal with the budgetary and financial issues, i.e., they must obtain authorization and make the payments. Hence, the Bank no longer uses its resources to pay for those obligations (note 19.2).

e) Utilization of Securities as a Monetary Policy Tool:

In the execution of the monetary policy the Bank uses federal government debt securities. The transactions with securities between the National Treasury and the Bank always occur at market prices.

f) Rendering of Services in the placement of Treasury Securities:

The Bank acts as an agent for the National Treasury in the placement of federal government debt securities, although the former defines the terms and conditions of the operations.

The following table presents the main transactions between the Bank and the Federal Government in the period:

(Unless otherwise stated, amounts are expressed in thousands of Reais) 41

TRANSACTIONS WITH THE NATIONAL TREASURY

	2007	2006
National Treasury Operating Account		
Opening balance	226,047,319	208,476,268
(+) remuneration	27,678,028	26,633,983
(+/-) deposits/redemptions	22,117,817	(10,087,749)
(+) positive result transferred	-	1,024,817
Closing balance	275,843,164	226,047,319
Federal Government Debt Securities		
Opening balance	303,860,298	281,393,821
(+/-) net issue/redemption	24,122,195	(22,205,288)
(+) remuneration	37,420,141	40,247,352
(+/-) mark-to-market adjustments	(6,067,272)	4,424,413
Closing balance	359,335,362	303,860,298
Result to be covered by the National Treasury		
Opening balance	14,284,589	12,904,701
(+) remuneration	1,336,467	947,681
(-) payments	(46,615,196)	(12,953,835)
(+) negative result to be covered	48,340,971	13,386,042
Closing balance	17,346,831	14,284,589
Result to be transferred by the National Treasury		
Opening balance	-	1,004,461
(+) remuneration	-	20,356
(-) transfers	-	(1,024,817)
Closing balance	-	-
Transfer under Budget Law	520,819	695,374

38.2. Centrus

Centrus (Fundação Banco Central de Previdência Privada), a non-profit organization, is a private pension fund that aims to supplement the retirement benefits and pensions granted by the General Social Security Regime (RGPS) (note 22.2). The Bank sponsors Centrus, and as a result, the following transactions occurred between the entities.

	2007	2006
Resources managed by Centrus		
Opening balance	1,735,642	1,834,257
(+/-) actuarial gains/losses	328,489	84,952
(-) amounts received	(490,292)	(453,349)
(+) interest	210,388	269,782
Closing balance	1,784,227	1,735,642
Actuarial Surplus		
Opening balance	2,153,735	1,615,674
(+/-) actuarial gains/losses	596,956	148,284
(+) contributions	13,728	13,770
(+) interest	329,449	376,007
Closing balance	3,093,868	2,153,735
Mathematical Reserves to be paid-up		
Opening balance	1,093,020	992,946
(+) partial refund	459	-
(+) interest	127,796	100,074
(-) write-off	(1,220,816)	-
(-) amounts received	(459)	-
Closing balance	-	1,093,020
Payment of management fee	18,984	11,677

38.3. Casa da Moeda do Brasil - CMB

The CMB is a federal public entity, linked to the Ministry of Finance, and has as its main activities the exclusive manufacture of banknotes and coins and the printing of federal mailing and fiscal stamps.

The statute of the CMB establishes that the Council of Administration and the Executive Direction will exert its administration. There is one member of the Council of Administration indicated by the Bank.

In 2007, the Bank acquired banknotes and coins that totaled an expense of R$391,562 (R$294,748 in 2006).

38.4. Fundo de Pensão dos Empregados da Casa da Moeda do Brasil - CIFRÃO

Cifrão, instituted by the CMB, a non-profit organization, is a private pension fund with its own equity and administrative and financial autonomy. Its main objective is the institution and execution of retirement benefit plans to the employees of the CMB. There are no transactions between the Bank and the Cifrão.

38.5. Reserva para o Desenvolvimento Institucional do Banco Central do Brasil - Redi-BC

Redi-BC was created with the objective to fund the execution of projects developed to achieve the institutional mission of the Bank and the accomplishment of its strategic objectives as defined by the Board of Directors as part of the institutional planning process.

In 2007, Redi-BC spent R$53,586 (R$21,509 in 2006) for the Bank and also reimbursed it in the amount of R$777 (R$589 in 2006) as an administration fee.

38.6. Fundo de Assistência ao Pessoal – FASPE

Faspe is a fund created to manage resources destined to the maintenance of healthcare benefits of the employees of the Bank. It was created by Law 9.650, of May 27, 1998, which determines that its resources will be composed by budget endowments of the Bank and monthly contributions from the participants. The Bank's contributions must be equivalent to the expected contributions of the participants. It also prescribes that, in the occurrence of a deficit in the system, the Bank may use available sources of resources for the covering of such deficit.

In 2006, the Bank made R$43,505 (R$39,441 in 2006) in contributions to the Faspe.

38.7. The Board of Directors and other management officers

The Bank's Board of Directors consists of 8 Directors (including the Governor), one Executive Secretary, one Attorney General and 37 Heads of Departments. These are considered key-people. The Bank does not grant loans of any kind to any of its key-people. Nevertheless, the benefits include salaries, wage related expenses, health care and other benefits. The Bank is also responsible for the payment of post retirement benefits for the key-people who are career civil servants.

The total remuneration of the Board of Directors (including salaries, benefits, social security and other wage related expenses) amounted to R$1,732 in 2007 (R$1,621 in 2006). The total amount for the remaining key-people was R$10,938 in 2007 (R$9,825 in 2006).

39 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

a) Impact and fiscal cost of operations - Fiscal Responsibility Law - Article 7, paragraph 2:

The sole paragraph of Article 8 of Law 4,595/1964, as amended by Decree-Law 2,376/1987, stipulates that "the results obtained by Banco Central do Brasil, considering the revenues and expenses of all its operations, shall be, effective from January 1, 1988, determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years".

This provision was partially amended by the Fiscal Responsibility Law:

"Article 7. The positive result of Banco Central, calculated after constitution or reversal of reserves, constitutes a revenue of the National Treasury and shall be transferred not later than the tenth business day subsequent to approval of the half-year balance sheets."

Paragraph 1: The negative results will constitute a Treasury liability owed to the Banco Central do Brasil and will be consigned to a specific budget allocation account."

In accordance with Item II of Article 2 of Provisional Measure 2,179-36, these negative results must be covered not later than the tenth business day of the fiscal year subsequent to the year of approval of the financial statements by the CMN.

Therefore:

I - The result of the Bank is comprised of revenues and expenses related to all of its operations;

(Unless otherwise stated, amounts are expressed in thousands of Reais) 43

II - Positive results are transferred as revenues to the National Treasury, and negative results are covered as expenses of the National Treasury;

III - Such results are included in the Fiscal Budget of the National Treasury account.

The Bank experienced a deficit of R$10,906,520 in the third quarter, and a deficit of R$6,302,709 in the fourth quarter, totaling a negative result of R$17,209,229 for the second half of the year. After realization of revaluation reserves, this result will be covered by the National Treasury not later than the tenth business day of the exercise following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the interested committees of the National Congress (among which the Economic Subjects Commission, the Finances and Taxation Commission, and the Public Budget Commission), an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies; and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

b) Cost of remunerating the National Treasury deposits with the Bank - Fiscal Responsibility Law, Article 7, Paragraph 3

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$7,097,731 in the third quarter of 2007 and to R$7,244,203 in the fourth quarter of 2007 (R$14,341,934 for the semester).

c) Cost of maintaining foreign exchange reserves - Fiscal Responsibility Law, Article 7, Paragraph 3:

The cost of maintaining the foreign exchange reserves is calculated as the difference between the yield on the international reserves and the average cost of the Bank’s liabilities. The yield on the international reserves is the sum of net profitability of these operations divided by the average in the period of the daily balances. The average cost of the Bank’s liabilities is calculated dividing the cost of remunerating these liabilities by the average of the daily balances in the period of the liabilities including the Bank’s net equity.

In December of 2007, aiming to enhance the quality of the information and to make it compatible with those disclosed by the Bank’s economic department, this calculation method was revised. Thus, the four quarters of 2007 were recalculated.

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance (R$ '000)	Profitability (%)	(%)	(%)	(R$ '000)
1st quarter	202.824.391	-2,62%	2,01%	-4,63%	(9.400.309)
2nd quarter	250.051.484	-5,49%	2,05%	-7,54%	(18.846.939)
Total in the 1st semester					**(28.247.248)**
3rd quarter	301.917.160	-0,92%	1,92%	-2,84%	(8.567.504)
4th quarter	307.254.454	-0,03%	2,05%	-2,07%	(6.373.726)
Total in the 2nd semester					**(14.941.230)**
Total in the year					**(43.188.478)**

d) Profitability of the securities portfolio - Fiscal Responsibility Law, Article 7, Paragraph 3

Debt Scurities issued by the Federal Government	Income	Expenses	Result
3rd quarter	9.899.673	(587.690)	**9.311.982**
4th quarter	10.106.415	(345.737)	**9.760.677**
Total in the semester			**19.072.660**

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Alvir Alberto Hoffmann
Alexandre Antonio Tombini
Anthero de Moraes Meirelles
Antonio Gustavo Matos do Vale
Mario Gomes Torós
Mário Magalhães Carvalho Mesquita
Paulo Vieira da Cunha

Head of the Accounting and Financial Department
Jefferson Moreira – Accountant – CRC-DF 7,333

Independent auditors' report

To
The President and Directors
Banco Central do Brasil
Brasília - DF

1. We have audited the accompanying balance sheets of Banco Central do Brasil (the "Bank"), as of December 31, 2007 and 2006, and the related income statements, changes in equity and cash flow statements for the years then ended. The Bank's management is responsible for preparing and presenting these financial statements which, as reported in Note 2, were prepared in accordance with International Financial Reporting Standards, as determined by the National Monetary Council. Our responsibility is to express an opinion on these financial statements based on the results of our audits.

2. We conducted our audits in accordance with auditing standards applicable in Brazil and in accordance with International Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

4. As reported in Note 5, the financial statements for the year ended December 31, 2006, presented for comparison purposes, were amended to reflect the adjustments arising from calculating and recording the actuarial liability in accordance with International Accounting Standard 19 - Employee Benefits. In addition, the Bank provided appropriate supporting documentation related to the redefining of the control and management procedures of the legal processes, which enabled us to conclude that the balances for the provision for legal claims were fairly stated. Our opinion on the original financial statements, dated February 28, 2007, included a qualification on the Bank's financial position, and also on its income statement and cash flow statement, since these statements were not fairly presented in accordance with International Financial Reporting Standards, given that they did not recognize the actuarial liability, and also given the fact that we were unable to conclude on the adequacy of the balance for the provision for legal claims.

5. Our audits were conducted for the purpose of expressing an opinion on the Bank's financial statements taken as a whole. The supplementary information included in the income statement and in Note 39 is not required information in accordance with the Bank's accounting framework, and is being presented for the purpose of providing additional analysis and in compliance with the Fiscal Responsibility Law, respectively. This supplementary information has been subject to the same auditing procedures described in paragraph 2 above, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

February 28, 2008

KPMG

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF
Original report in Portuguese signed by
Ricardo Anhesini Souza
Contador CRC 1SP152233/O-6-S-DF