BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

December 31, 2008

BANCO CENTRAL DO BRASIL
BALANCE SHEET (as at December 31, 2008)
In Thousands of Reais

ASSETS	Notes	Dec 31, 2008	Dec 31, 2007
ASSETS IN FOREIGN CURRENCIES		**512,512,891**	**358,117,237**
Cash and Cash Equivalents	6	5,298,870	4,261,705
Time Deposits Placed with Financial Institutions	6	4,502,885	13,570,788
Financial Assets Purchased Under Resell Agreement	7	25,239,270	27,768,670
Derivatives	8	31,271	41,608
Debt Securities	9	453,186,973	302,322,757
Credits Receivables	11	10,987,472	-
Gold	12	2,195,773	1,595,257
Investments in International Financial Oragnizations	13	11,070,364	8,556,444
Other	15	13	8
ASSETS IN LOCAL CURRENCY		**534,579,563**	**408,234,298**
Cash and Cash Equivalents	6	2,382,660	-
Deposits	6	607,935	598,156
Financial Assets Purchased Under Resell Agreement	7	44,298	2,790,896
Derivatives	8	1,546,385	393,822
Debt Securities	9	496,741,066	359,335,362
Receivables from the Federal Government	10	14	17,350,687
Credits Receivables	11	29,910,234	23,803,245
Property, Plant and Equipment	14	784,459	791,425
Other	15	2,562,512	3,170,705
TOTAL		**1,047,092,454**	**766,351,535**

LIABILITIES	Notes	Dec 31, 2008	Dec 31, 2007
LIABILITIES IN FOREIGN CURRENCIES		**29,842,296**	**37,759,860**
Items in the Course of Collection	16	2,871,375	261,831
Deposits Received from Financial Institutions	17	631	478
Financial Assets Sold Under Repurchase Agreement	7	14,161,569	27,766,297
Derivatives	8	102,562	77,437
Accounts Paybale	18	1,485,861	1,037,139
Deposit Received from International Financial Organizations	19	11,219,310	8,615,362
Other		988	1,316
LIABILITIES IN LOCAL CURRENCY		**887,431,843**	**624,699,974**
Items in the Course of Collection	16	22	716,616
Deposits Received from Financial Institutions	17	90,035,395	145,973,427
Financial Assets Sold Under Repurchase Agreement	7	345,735,757	190,207,090
Derivatives	8	628,550	2,863
Payables to the Federal Government	10	437,426,384	276,333,619
Accounts Paybale	18	1,157,348	1,139,276
Deposit Received from International Financial Organizations	19	5,716	27,633
Provision	21	12,402,781	10,274,504
Other		39,890	24,946
CURRENCY IN CIRCULATION	22	**115,590,704**	**102,885,047**
NET EQUITY	23	**14,227,611**	**1,006,654**
Capital		13,072,428	2,576,356
Income Reserve		1,606,019	1,606,019
Revaluation Reserve		472,725	479,011
Gains (Losses) Recognized Directly in Equity		(923,561)	(3,654,732)
TOTAL		**1,047,092,454**	**766,351,535**

INCOME STATEMENT - 2008
In Thousands of Reais

	Notes	2008	2007 Reclassified
FOREIGN CURRENCY OPERATIONS		**153,333,313**	**(23,286,254)**
Interest income		625,594	1,955,036
Interest expenses		(693,173)	(560,505)
(=) Net interest income	**24**	(67,579)	1,394,531
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**25**	152,886,550	(20,890,893)
Gains (losses) on investment positions		971	-
Gains (losses) on foreign exchange	**27**	513,371	(3,789,892)
LOCAL CURRENCY OPERATIONS		**(138,581,736)**	**(23,588,024)**
Interest income		52,955,600	41,731,045
Interest expenses		(73,313,979)	(57,347,826)
(=) Net interest income	**24**	(20,358,379)	(15,616,781)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**25**	(121,289,621)	(8,301,235)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	**26**	3,114,080	2,189,993
Gains (losses) on foreign currency-linked operations	**27**	(47,816)	(1,860,001)
OTHER INCOME	**28**	**1,957,050**	**2,739,947**
OTHER EXPENSES	**28**	**(3,363,234)**	**(3,379,808)**
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**29**	**13,345,393**	**(47,514,139)**

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

CHANGES IN EQUITY - 2008
In Thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CHANGES IN ACCOUNTING POLICIES - PROCESS OF ADOPTING IFRSs	TRANSITION ADJUSTMENTS TO IFRSs	CAPITAL	NET EQUITY
Balance as at December 31, 2007		**1,606,019**	**479,011**	**(3,654,732)**	**-**	**-**	**2,576,356**	**1,006,654**
Increase of Capital	**9.2**	-	-	-	-	-	10,496,072	10,496,072
Realization of Revaluation Reserves	**23.2**	-	(6,286)	-	-	-	6,286	-
Available-for-sale Financial Assets								
- Gains (Losses) recognized in Equity		-	-	4,791,651	-		-	4,791,651
- Gains (Losses) transferred to Income		-	-	(420,584)	-	-	-	(420,584)
Actuarial gains (losses)		-	-	(1,639,896)	-	-	-	(1,639,896)
Total Gains (Losses) recognized directly in Equity	**23.3**	**-**	**(6,286)**	**2,731,171**	**-**	**-**	**6,286**	**2,731,171**
Net income (loss) 1st semester		-	-	-	-	-	3,172,740	3,172,740
Net income (loss) 2nd semester		-	-	-	-	-	10,172,653	10,172,653
Net income (loss) for the year	**29**	**-**	**-**	**-**	**-**	**-**	**13,345,393**	**13,345,393**
Total income and expenses recognized during the year		**-**	**(6,286)**	**2,731,171**	**-**	**-**	**13,351,679**	**16,076,564**
Result to be transferred to the National Treasury - 1st semester		-	-	-	-	-	(3,175,883)	(3,175,883)
Result to be transferred to the National Treasury - 2nd semester		-	-	-	-	-	(10,175,796)	(10,175,796)
Balance as at December 31, 2008		**1,606,019**	**472,725**	**(923,561)**	**-**	**-**	**13,072,428**	**14,227,611**
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**

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

CASH FLOW STATEMENT - 2008
In Thousands of Reais

	Note	2008	2007
NET CASH FLOW FROM OPERATING ACTIVITIES		**(2,575,498)**	**(3,922,933)**
Interest received		12,074,384	10,072,028
Interest paid		(29,877)	(57,501)
(Purchase) sales of securities		(12,282,595)	(182,760,802)
Purchases (sales) of foreign currencies		(2,524,979)	154,983,271
(Placement) redemptions of repurchase and reverse repurchase transactions		(9,946,684)	25,102
(Placement) redemptions of time deposits		10,560,444	7,228,674
Redemption of deposits received		1,492,552	141,909
(Payments) receipts on behalf of the National Treasury		1,245,248	6,352,136
(Grant) redemptions of redits receivable		(3,101,387)	41,291
Other payments / receipts		(62,604)	50,959
NET CASH FLOW FROM FINANCING ACTIVITIES		**-**	**(283,827)**
Repayments of loan principal		-	(283,827)
NET CASH FLOW		**(2,575,498)**	**(4,206,760)**
CHANGE IN CASH AND CASH EQUIVALENTS		**(2,575,498)**	**(4,206,760)**
Cash and cash equivalents at the beginning of period		4,261,705	10,566,592
Cash and cash equivalents at the end of period	**30**	5,298,870	4,261,705
Effect of exchange rate changes on cash and cash equivalents		3,612,663	(2,098,127)

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

(Amounts are expressed in thousands of Reais) 5

1 - BANCO CENTRAL DO BRASIL AND ITS ATRIBUTIONS

Banco Central do Brasil (the "Bank"), established on December 31, 1964 with the enactment of the Law 4.595, is an autonomous federal institution that forms part of the National Financial System. The Bank's mission is to ensure the stability of the Brazilian currency purchasing power and the soundness of the National Financial System. The Bank's head office is located in Brasilia, DF, at Setor Bancário Sul – Quadra 3, Bloco B, and it 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 19, 2009. The financial statements are available on the Bank's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The financial statements of the Bank as at December 31, 2008 have been prepared in accordance with the International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board — IASB.

These statements are not consolidated financial statements, reflecting only the Bank's operations, since there are no subsidiaries or entity that requires consolidation by other means.

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.

3.1. Determination of profit and loss

The Bank's profit and loss is determined semi-annually on an 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 (notes 29 to 37.a).

3.2. Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts of a financial asset or a financial liability, over 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 as "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 currency transactions are translated into the Real at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are monthly translated to the Real using 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 on the financial statements dates:

	Dec 31, 2008	Dec 31, 2007
Dollar	2.3366	1.7709
Euro	3.2372	2.6077
SDR	3.6166	2.7953
Gold (fine troy ounce	2,032.2579	1,476.4879

The Special Drawing Right ("SDR") is an accounting unit used by the International Monetary Fund (IMF). The rate is based on a basket 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, with the exception of the Gold exchange rate. In this case, the rate used is the London Stock Exchange's PM Fixing, which is converted into Real via the dollar exchange rate used at the financial statements dates.

3.4. Financial Assets and Liabilities

3.4.1 Recognition

Financial assets and liabilities are recognized 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 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 have expired.

The Bank engages in 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. Consequently, these assets are not derecognized. The main transactions with these characteristics are repurchase agreements and securities lending operations.

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 are both the intention and a legally enforceable right to settle the recognized amounts on a net basis.

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 in 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 gains and losses recognized in equity. Once they are effectively realized, gains and losses are recognized in the income statement. However, the interest on these assets, which is calculated using the effective interest rate, is recognized in the income statement on an accrual basis;

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 using the effective interest rate, is recognized in the income statement on an accrual basis;

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 the market value 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 rate 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 / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions - Outsourced administration	At Fair Value through Profit or Loss	Fair Value - Custodian
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Credits Receivables	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	Fair Value - *PM fixing* - London Stock Exchange
Investment in International Financial Organizations	Available-for-sale	Fair Value - Redemption value in Reais

Assets in Local Currency	Category	Measurement Basis / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
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	Fair Value - BM&FBovespa Exchange
Debt Securities Issued by the Federal Government - LTN	Available-for-sale	Fair value - Andima
Debt Securities Issued by the Federal Government - except LTN	Held-to-maturity	Amortized Cost
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivables - Financial Institutions under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair Value - Present value of the guarantees
Credits Receivables - Loans related to Rural Credit	Loans and Receivables	Amortized Cost

Liabilities in Foreign Currencies	Category	Measurement Basis / Source of Information
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	Fair Value - Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

Liabilities in Local Currency	Category	Measurement Basis / Source of Information
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Items in the Course of Collection	Other liabilities	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&FBovespa Exchange
Payables to the Federal Government	Other liabilities	Amortized Cost
Accounts Payable	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 the events occurred after the initial recognition of financial assets that 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.

The evaluation is carried out by a multi-departmental committee, which is responsible for assessing the accuracy of the values and methodologies used.

For assets classified as "Available-for-sale", when there is objective evidence of impairment, the accumulated loss recognized in equity is transferred to 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 at fair value on their respective trade dates 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 associated to the item will flow to the Bank and these benefits can be reliably 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.

(Amounts are expressed in thousands of Reais) 9

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 predetermines the value of the employee's benefit at the moment of retirement, based upon 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 21.2 and 36.2), which represents an economic benefit available to the Bank due to the fact that there is no longer the possibility of entry of new beneficiaries sponsored by the Bank, which will lead to the extinction of its purpose with the death of the last beneficiary or dependent, with the consequent return of the actuarial surplus to the sponsor.

3.7. Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax immune as regards to its 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.

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

4 - ACCOUNTING RECLASSIFICATION

The reclassification of the income arising from foreign currency operations with the assets managed by third parties (outsourced administration), in 2007, aims to allow comparability between the two years. The table below shows the effects of this reclassification in the Income Statement for the year 2007:

	Dec 31, 2007 Published Amounts	Accounting Reclassification	Adjusted Amounts
Foreing Currency Operations	**(23,286,254)**	**-**	**(23,286,254)**
Interest income	2,313,452	(358,416)	1,955,036
Interest expenses	(589,023)	28,518	(560,505)
(=) Net interest income	1,724,429	(329,898)	1,394,531
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	(20,557,617)	(333,276)	(20,890,893)
Gains (losses) from foreign exchange	(4,453,066)	663,174	(3,789,892)

5 - THE BANK'S MEASURES AGAINST THE FINANCIAL CRISIS

The worsening of the international financial crisis in the second half of 2008 significantly impacted the liquidity and credit conditions in the Brazilian economy, which originated from both the exit of foreign capital and the aversion to risk by economic agents.

In this scenario, the Bank, fulfilling its strategic objective of promoting efficiency and ensuring the soundness and normal operation of the National Financial System, has been working vigorously in order to keep adequate levels of liquidity in the system, both in local currency and in foreign currency. In order to achieve those objectives, the Bank is implementing the following actions:

5.1 Commitment under agreement of foreign currency operations in the domestic market

By means of these operations the Bank provides liquidity of foreign currency to the domestic market by selling foreign currency in the spot market with the agreement to repurchase it in a future date. The exchange rates are set at public sales held by dealers and the repurchase occurs in thirty days (note 7.1.b);

5.2 Foreign currency loans

Foreign currency loans provide credit for foreign trade operations. These loans have a limited duration of 360 days and are subject to the Libor rate plus an additional spread set by the Bank. These loans can be collateralized by Brazilian external debt securities (Global Bonds), Advances on Export Contracts (ACC), Advances on Promissory Notes of Exports Delivered (ACE), among others (note 11.1).

5.3 Foreign currency sale in the spot market

The sale of foreign currency in the spot market provides liquidity to the domestic market in times of significant shortage of foreign currency.

5.4 Changes in the rules on reserve requirements

Through the reserve requirements the Bank intervenes in the economy liquidity, modifying the money multiplier of the financial institutions by raising or lowering the level of resources of the system.

In order to increase the liquidity of the National Financial System, the Bank carried out a series of changes in the rules on reserve requirements, including the reduction of the percentage, the increase of the deductible amounts and changes in the remuneration of deposits, among others.

The following table shows the main changes:

(Amounts are expressed in thousands of Reais) 11

	2008	2007
Demand deposits		
Reducer	44,000	44,000
Percentage	42%	45%
Item collected	Cash	Cash
Interest	no	no
Rural savings deposits		
Percentage	15%	20%
Item collected	Cash	Cash
Interest	TR + 6,17% aa	TR + 6,17% aa
Time deposits		
Reducer	30,000	30,000
Percentage	15%	15%
Deduction [1]	2,000,000	300,000
Item collected	70% in Cash; and 30% in Federal public securities	Federal public securities
Interest	Cash - no interest; and Federal public securities - Federal public securities interest	Federal public securities interests
Additional requirement		
Reducer	1,000,000	100,000
Percentage - Demand deposits	5%	8%
Percentage - Savings deposits	10%	10%
Percentage - Time deposits	5%	8%
Item collected	Federal public securities	Cash
Interest	Federal public securities interests	Selic

[1] Only collection of the parcel that exceeds the amount specified. It is worth emphasizing that, to give greater liquidity to the system, the Bank allowed the deduction of values used in transactions involving the purchase of assets from other institutions.

5.5 Loans related to rural credit

Through these operations, the resources collected by the Bank from the institutions that fall short of the compulsory rural credit loans are transferred to financial institutions, accordingly to their needs, to be used in rural credit loan.

The loans are constrained to the amount of the financial institution´s rural credit reserve requirements at the Bank and its term is limited to twelve months (note 11.2.2).

Besides the measures in place, the following resources are available to maintain the normal operation of the National Financial System, at the discretion of the Bank:

a) Currency swaps with the Federal Reserve

Agreement in which the Federal Reserve (Fed) commits to provide a US$30 billion-foreign credit line to the Bank, because of the shortage of foreign financing.

This transaction is interest-free and independent on any covenants related to the country's economic policies. The resources will be available to the Bank until April 2009.

b) Rediscount operations

The rediscount operations in local currency aim to expand the liquidity of the banking system through the purchase of assets of the financial institutions by the Bank. The operations are carried out under the Bank's agreement to resell the assets in a future date, linked to the counterpart's repurchase commitment.

(Amounts are expressed in thousands of Reais) 12

These operations, which bear the Selic rate plus a spread fixed by the Bank, have a limited term of 360 days and must meet certain criteria and conditions set for the evaluation and the acceptance of assets.

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

6.1. In Foreign Currencies

Comprises 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 management policy, as described in notes 31 to 35.

The negative variation observed in the period results from the Board of Directors' decision to reduce the limits of exposure to risk with financial institutions, as a prudential and temporary measure, motivated by the international credit crisis scenario.

6.2. In Local Currency

The cash and cash equivalents in local currency refer to receivables from sales of foreign currencies carried-out in the domestic market, comprising those in the spot market and under repurchase agreements, whose settlement occurs in two business days.

The deposits are those constituted in accordance with legal determinations, bound to legal claims in process, and for which either a provision has been recognized (note 21.1) or a court-ordered payment order has been issued (note 18.2). 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.

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

These are transactions in which assets are purchased under an agreement to be resold on a future date (reverse repo) or are sold under an agreement to be repurchased in a future date (repo). In view of the characteristics of these transactions, the items traded are recorded as collaterals, except in the case of trades of foreign currencies, since they are delivery versus payment transactions.

7.1. In Foreign Currencies

	Dec 31, 2008	Dec 31, 2007
Reverse Repurchase Agreement (Reverse Repo)	25,239,270	27,768,670
Foreign Market	**4,519,470**	**27,768,670**
Securities	4,279,478	27,768,670
Currencies	239,992	-
Collateral	4,392,162	28,119,094
Domestic Market - Term Repurchase	**20,719,800**	**-**
Currencies	20,719,800	-
Repurchase Agreement (Repo)	14,161,569	27,766,297
Foreign Market	**14,161,569**	**27,766,297**
Securities	13,919,806	27,766,297
Currencies	241,763	-
Collateral	13,731,961	27,498,036

a) Reverse repo in the foreign market:

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 are received as collateral with a 2% haircut. The quantity of securities and the amounts received 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.

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

b) Reverse repo in the domestic market – term repurchase:

In these transactions the Bank sells foreign currency in the spot market and commits to its repurchase in a future date, against payment in Reais (note 7.2). The term of these transactions varies according to economic conjuncture, and both the amount and interest rates applied are set by auction.

At the maturity date, the transactions whose resources have been used by the financial institutions in operations of ACC or ACE are converted into loans, collateralized by the respective ACC or ACE (note 11.1).

c) Repo in the foreign market:

When the Bank engages in a repo transaction in the foreign market, securities of its portfolio are given as collateral. The risks and the realization of these guarantees are the same of the ones for the reverse repos.

d) Variation in the period:

During 2008, the Bank has adopted a series of prudential measures to reduce its exposure to financial institutions, e.g. the reduction of the volume of repo and reverse repo transactions with securities. However, in order to maintain the liquidity and the normal operation of the foreign exchange market, the Bank contracted foreign currency reverse repos in the domestic market, the amount of which offset the effects of the reduction of repos and reverse repos transactions with securities. That is why there were no significant change in the balance of reverse repo, compared to the previous period.

7.2 In Local Currency

	Dec 31, 2008	Dec 31, 2007
Reverse Repurchase Agreement (Reverse Repo)	44,298	2,790,896
Securities	44,298	2,790,896
Collateral	**44,443**	**2,819,685**
Repurchase Agreement (Repo)	345,735,757	190,207,090
Securities	325,199,593	190,207,090
Foreign Currencies	20,536,164	-
Collateral	**331,267,409**	**190,574,616**
Transactions of collateral allowed	45,646,534	84,430,172
Transactions of collateral not allowed	285,620,875	106,144,444

a) Securities operations:

The collateral of repos and reverse repos are always constituted in debt securities issued by the federal government and held under custody in the Special System of Clearance and Custody (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 while it is effective, the seller takes the risk of fluctuation of the market prices of the guarantees when they fall under those established when the transaction took place.

Repo operations can be constituted allowing the trade of collateral, in which the final sale is permitted, provided they are returned on the settlement date to its owner, or not allowing the trade of collateral, in which the final sale is not permitted during the term of the operation. On the other hand, when the reverse repo operations take place the sale of the collateral are never allowed.

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The augment in the balance of repo is due to the net redemption of securities of the federal public debt and the effect of changes in the rules on reserve requirements in the fourth quarter of the year (note 5).

b) Foreign currency operations – Note 7.1.b

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, aiming to achieve liquidity, security and profitability, hedging also the 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 sovereign external debt using a model that exploits the differential interest rate in countries 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 on a future date. These contracts are guaranteed in cash, and their values are daily adjusted on the futures exchange.

Dec 31, 2008

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 month			7,092	6,569
Australian Dollar	72,464	-	-	-
Canadian Dollar	26,487	113,664	-	-
Swiss Franc	27,636	48,165	-	-
Euro	29,415	23,987	-	-
Great Britain Pound	31,990	13,057	-	-
Japanese Yen	-	31,087	-	-
Norwegian Krone	26,347	-	-	-
New Zealand Dollar	73,178	-	-	-
United States Dollar	226,195	281,951	7,092	6,569
Securities Futures				
1 - 6 months			24,179	95,993
United States Dollar	5,205,711	32,390,884	9,350	80,526
Euro	12,547,885	-	-	15,467
Great Britain Pound	1,951,172	-	14,829	-
TOTAL			**31,271**	**102,562**

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Dec 31, 2007

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 month			16,803	72,876
Australian Dollar	288,172	288,172	-	-
Swiss Franc	407,140	407,140	-	-
Euro	9,127	9,127	-	-
Great Britain 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
Great Britain Pound	3,602,401	-	21,574	-
TOTAL			**41,608**	**77,437**

Given their characteristics, a delivered versus payment transaction, currency forward operations demand no collaterals. In the future operations, the collaterals are deposits placed that amounted to R$339,772 in 2008 and R$134,341 in 2007.

8.2. In Local Currency

a) Swap:

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.

These operations are contracted by means of auctions which are performed in the Bank's proprietary electronic system and are recorded on the Stock, Futures and Commodities Exchange - BM&F Bovespa, as a standard contract - "DI x US Dollar Swap with Reset - SCC". 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 the exchange rate variation plus the exchange rate coupon, and on the liability side, DI interest rates. The currently traded contracts' notional amount is US$ 50,000 adjusted on a daily basis. The value of collateral is stipulated by the BM&F Bovespa, as described in note 32.b.

The purchase of such contracts by the Bank is called in the financial market as a "currency swap" and the sale is identified as "reverse currency swap".

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

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Dec 31, 2008

		Fair Value	
	Notional Amount	**Assets**	**Liabilities**
- SWAP - Daily Settlement	**(50,208,693)**	**1,546,385**	**628,550**
Long position in Dollars	**(90,574,526)**	**1,546,385**	-
1 month	(27,969,800)	717,231	-
1 - 6 months	(50,917,388)	829,154	-
6 - 12 months	(6,486,344)	-	-
1 - 5 years	(5,200,994)	-	-
Short position in Dollars	**40,365,833**	**-**	**628,550**
1 month	5,427,683	-	-
1 - 6 months	10,025,730	-	9,270
6 - 12 months	8,852,556	-	218,390
1 - 5 years	16,059,864	-	400,890
TOTAL	**(50,208,693)**	**1,546,385**	**628,550**

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 months	(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**

In the first nine months of 2008 the Bank maintained its strategy of rolling over its short position on SCC contracts (“reverse currency swap”). Since October, however, aiming to reduce volatility and improve the liquidity of the exchange market, affected by the upsurge of the international financial crisis, the Bank started to carry out the "currency swap" (long position on the SCC contracts). Thus, the Bank assumed a position represented by the exchange rate variation plus exchange rate coupon on the liability side and by the DI rate on the asset side. Because of the large volume of these transactions, the Bank had a net debt position in exchange variation.

b) Foreign exchange equalization:

The Provisional Measure 435/2008 (converted into Law 11.803) established the foreign exchange equalization between the National Treasury and the Bank. The goal is to give greater transparency to the results of transactions of the monetary authority and reduce the volatility of its results, derived from the increasing unbalances between foreign assets and liabilities (note 36.1)

Through the exchange rate equalization, the cost of maintaining the foreign exchange reserves and the result of the exchange rate swap carried out in the domestic market are transferred to the National Treasury. These values are calculated on a daily basis. The balance payable or receivable is reckoned in the last business day of the semester, being settled under the same rules of the transference or coverage of the Bank’s results (note 37.a).

The yield on the foreign exchange reserves operations is the difference between its net profitability and the average cost of the Bank’s liabilities.

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9 - DEBT SECURITIES

9.1. Securities denominated in foreign currencies

	Dec 31, 2008	Dec 31, 2007
Uncommited Securities	**439,455,013**	**274,824,721**
1 month	265,982	5,424,080
1 - 6 months	1,416,784	8,703,574
6 - 12 months	7,821,142	6,200,991
1 - 5 years	354,364,820	210,540,422
more than 5 years	75,586,285	43,955,654
Securities linked to Repurchase Agreements	**13,718,301**	**27,473,009**
1 - 5 years	10,016,603	21,254,867
more than 5 years	3,701,698	6,218,142
Securities granted as collateral	**13,659**	**25,027**
6 - 12 months	13,659	-
1 - 5 years	-	25,027
TOTAL	**453,186,973**	**302,322,757**

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 31 to 35). The portfolio is part of the international reserves and its main objectives are (i) to diversify investments and risks, (ii) to enhance profitability and (iii) to maintain different levels of liquidity.

The increase in the balance of foreign currency securities portfolio in the period is due to the strong depreciation of the Brazilian Real against the dollar in the year 2008, besides the effects of the incorporation of interests and the transfer of part of the resources that were applied in other types of investment (note 6.1).

These securities are classified as “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, 2008	Dec 31, 2007
Cost	426,254,972	293,559,862
Mark-to-market Adjustment	26,932,001	8,762,895
Carrying Amount	**453,186,973**	**302,322,757**

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9.2. Federal government debt securities

Dec 31, 2008

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommited Securities	**33,216,244**	**4,489,021**	**5,382,148**	**73,684,807**	**40,205,857**	**156,978,077**
LTN	33,216,244	4,489,021	594,320	10,993,535	-	49,293,120
LFT	-	-	4,787,828	7,637,930	3,759,395	16,185,153
NTN-B	-	-	-	15,576,167	19,312,451	34,888,618
NTN-F	-	-	-	39,477,175	17,134,011	56,611,186
Securities linked to Repurchase Agreements	**-**	**18,388,891**	**45,196,509**	**177,209,194**	**92,651,479**	**333,446,073**
LTN	-	7,150,000	30,950,380	44,148,639	-	82,249,019
LFT	-	3,156,825	6,395,037	96,328,984	58,904,133	164,784,979
NTN-B	-	8,082,066	7,851,092	29,117,254	31,065,078	76,115,490
NTN-F	-	-	-	7,614,317	2,682,268	10,296,585
Securities granted as collateral	**-**	**-**	**-**	**4,070,697**	**2,237,962**	**6,308,659**
LFT	-	-	-	4,070,697	2,237,962	6,308,659
Untradable securities	**-**	**-**	**-**	**8,084**	**173**	**8,257**
NTN-P	-	-	-	8,084	173	8,257
TOTAL	**33,216,244**	**22,877,912**	**50,578,657**	**254,972,782**	**135,095,471**	**496,741,066**

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**

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 the average price paid by the other players of the market.

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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: 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 following table shows the cost and the carrying amount of securities, after mark-to-market adjustments (note 3.4.5):

	Dec 31, 2008			Dec 31, 2007		
	Cost	**Mark-to-market Adjustment**	**Carrying Amount**	**Cost**	**Mark-to-market Adjustment**	**Carrying Amount**
Available-for-sale	131,231,926	310,213	131,542,139	358,127,574	1,200,127	359,327,701
LTN	131,231,926	310,213	131,542,139	158,255,044	(43,381)	158,211,663
LFT	-	-	-	78,884,696	72,849	78,957,545
NTN-B	-	-	-	69,052,180	2,440,271	71,492,451
NTN-D	-	-	-	2,719,793	(27,702)	2,692,091
NTN-F	-	-	-	49,215,861	(1,241,910)	47,973,951
Held-to-maturity	365,198,927	-	365,198,927	7,661	-	7,661
LFT	187,278,790	-	187,278,790	-	-	-
NTN-B	111,004,108	-	111,004,108	-	-	-
NTN-F	66,907,771	-	66,907,771	-	-	-
NTN-P	8,258	-	8,258	7,661	-	7,661
Total	**496,430,853**	**310,213**	**496,741,066**	**358,135,235**	**1,200,127**	**359,335,362**

During the period, the following facts deserve emphasis:

a) the portfolio of securities issued by the Brazilian National Treasury, previously classified as “Available-for-sale”, was partly reclassified to “held-to-maturity” category in the first half of the year. This fact is due to the profile of the administration of this portfolio, since the negotiations have occurred only in a sale with repurchase agreement base, presenting characteristics to allow the classification in “held-to-maturity” category. Thus, only the LTN have been kept in the category “available-for-sale”.

   The value recorded in net equity as mark-to-market adjustments of the securities reclassified is recognized in the statement of income observing the internal rate of return and the duration of these securities;

b) the coverage of the Bank´s 2007 second half net loss, through the issue of 12,083,756 securities (LTN, LFT, NTN-F e NTN-B), in the amount of R$18,250,553, on June, 2008. The LTN were classified as “Available-for-sale” and the other securities as “held-to-maturity”;

c) the enactment of the Law 11.803/2008, on November 5, 2008, which aims to ensure the appropriate size of the Bank’s National Treasury securities portfolio. This law authorizes the Federal Government (through the National Treasury) to issue securities directly to the Bank, free of charge, when it deems necessary. The first issue was performed on June 30, 2008 and consisted of 3,000,000 LFT in the amount of R$ 10,496,072, which the Bank classified as “Held-to-maturity”; and

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d) the National Treasury issued 25,776,257 securities, in the amount of R$47,574,117, to cover, in advance, the balance of foreign exchange equalization concerning the first half of 2008. These securities were classified in the "available-for-sale" (4,501,142 LTN in the amount of R$ 3,767,005) and in the "held-to-maturity" categories (21,275,115 securities, among NTN-F, NTN-B and LFT, in the amount of R$ 43,807,112).

So, the variation observed at the Bank´s debt securities portfolio results from (i) the interest accrued in the period, (ii) the securities provided by the National Treasury in order to cover the net losses of the Bank, and (iii) the issue authorized by Law 11.803/2008 (note 9.2).

10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

	Assets	
	Dec 31, 2008	Dec 31, 2007
Result to be covered by the National Treasury	-	17,346,831
Other	14	3,856
Total	**14**	**17,350,687**

	Liabilities	
	Dec 31, 2008	Dec 31, 2007
National Treasury Operating Account	255,216,723	275,843,164
Result to be transfered to National Treasury	10,175,796	-
Foreign exchange equalization	171,416,012	-
Other	617,853	490,455
Total	**437,426,384**	**276,333,619**

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in note 36.1.

11 - CREDITS RECEIVABLE

11.1. In Foreign Currencies

	Dec 31, 2008	Dec 31, 2007
Loans in foreign currency	**10,987,472**	**-**
Loans collateralized in securities	3,576,514	-
Loans collateralized in other assets	7,410,958	-
Collaterals	**11,808,468**	**-**
Global Bonds	3,980,832	-
ACC e ACE	7,397,124	-
Federal government debt securities	430,512	-

The amount refers to loans in foreign currencies carried out by the Bank in order to provide liquidity to the National Financial System. The resources obtained by the borrower in these operations shall be necessarily invested in Advance on Export Contracts (ACC), Advances on Promissory Notes of Exports Delivered (ACE) and import financing operations.

These loans are collateralized by external debt securities (Global Bonds) or even the ACC and ACE originated from the funds of the operation and, in this case, the loans are preceded by operations of sale of foreign currency under repurchase agreement (note 7.2.b). Furthermore, the Bank may require supplementary collaterals represented by federal public securities. In the event of default of the borrower, the collaterals will be liquidated through public offer, not being prevented by extrajudicial liquidation or bankruptcy.

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The term of the operations collateralized by Global Bonds is six months. The other operations have their terms limited to 360 days, including the term of the operations carried out under repurchase agreement (note 7.2.b). The settlement date of the loans may be anticipated on the Bank's request, in the event of decrease of the collaterals, or by the borrower discretionary decision.

Regarding the fair value of the collaterals, the following should be noted:

a) the Global Bonds and the federal public securities are measured at their fair value, in accordance with the methodology applied to the Bank's securities portfolio (note 3.4.5);

b) the collaterals represented by ACC and ACE contracts are valued at amortized cost, taking into consideration that: (i) there is no active market for these contracts; (ii) studies carried out at the Bank for assessing a pricing model for these assets demonstrated that the historical losses regarding these operations are immaterial; and (iii) there is no relevant difference on December 31, 2008, between adopting the amortized cost or the fair value, since these operations were contracted on December 15, 2008.

11.2. In Local Currency

Dec 31, 2008

	Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit and loss - Designated by management	**55,328,687**	**(28,445,515)**	**26,883,172**
Banco Nacional - Under extrajudicial liquidation	25,513,183	(11,935,140)	13,578,043
Banco Econômico - Under extrajudicial liquidation	24,122,735	(12,722,419)	11,400,316
Banco Mercantil - Under extrajudicial liquidation	2,114,001	(209,188)	1,904,813
Banco Banorte - Under extrajudicial liquidation	717,903	(717,903)	-
Banco Bamerindus - Under extrajudicial liquidation	2,860,865	(2,860,865)	-
Loans and Receivables	**3,027,062**	**-**	**3,027,062**
Loans related to rural credit	2,989,339		2,989,339
Other	37,723	-	37,723
Total	**58,355,749**	**(28,445,515)**	**29,910,234**

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**
Total	**49,232,292**	**(25,429,047)**	**23,803,245**

11.2.1 - 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). Since 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 indexes.

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:

- the 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 priority of lien established by law, as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages claims, 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, the form of sale (i.e. direct sale or auction, individual assets or groups of assets)

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 period 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).

11.2.2 - Loans and receivables

These operations refer, basically, to loans to financial institutions with fund stemmed from the reserve requirements due to rural loan investment deficiencies. The lendings occur upon request of the financial institutions and are limited to the amount of the respective compulsory reserve deposit, as long as it is invested in rural loan operations.

These loans are interest-bearing, represented by the TR in the case of resources from rural savings, and interest-free, in the case of mandatory resources, and have their term limited to 12 months, from October 1, 2008.

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.

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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, 2008, the Bank's gold reserve amounted to 1,080,459,824 fine troy ounces (1,080,439.90 as at December 31, 2007). 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, 2008	Dec 31, 2007
Cost	716,154	541,709
Mark-to-market Adjustment	1,479,619	1,053,548
Carrying Amount	**2,195,773**	**1,595,257**

13 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The Bank's interest in international financial organizations comprises quotas of the International Monetary Fund – IMF (1.40% 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.

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

	Dec 31, 2008	Dec 31, 2007
International Monetary Fund - IMF	10,980,390	8,486,901
Bank for International Settlements - BIS	89,974	69,543
Total	**11,070,364**	**8,556,444**

As regards the Bank's interest in the IMF, a reform in the system of quotas of the Fund was approved on April 2008, which will result in the increase of the Bank's interest to 1.78%. The effects of the reform depend on the approval by the member countries who own 85% of the total of quotas, representing at least 3/5 of the IMF's memberships.

14 - PROPERTY, PLANT AND EQUIPMENT

Dec 31, 2008

	Precious Metals	Property	Equipment	Works of art and museum pieces	Total
Balance as at Dec 31,2007	**38,482**	**641,101**	**81,728**	**30,114**	**791,425**
Cost	38,750	683,163	209,045	30,114	961,072
Accumulated Depreciation	-	(42,062)	(127,317)	-	(169,379)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2008	**-**	**(8,776)**	**1,805**	**5**	**(6,966)**
Acquisitions/Constructions	-	1,329	27,029	5	28,363
Sales/Write-offs	-	-	(10,417)	-	(10,417)
Depreciation	-	(10,105)	(24,351)	-	(34,456)
Depreciation write-off	-	-	9,544	-	9,544
Balance as at Dec 31, 2008	**38,482**	**632,325**	**83,533**	**30,119**	**784,459**

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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	35,649	5	40,188
Sales/Write-offs	-	-	(35,804)	(11)	(35,815)
Depreciation	-	(9,839)	(24,384)	-	(34,223)
Depreciation write-off	-	-	35,591	-	35,591
Balance as at Dec 31, 2007	**38,482**	**641,101**	**81,728**	**30,114**	**791,425**

15 - OTHER ASSETS

	Dec 31, 2008	Dec 31, 2007
In Foreign Currency	**13**	**8**
In Local Currency	**2,562,512**	**3,170,705**
Actuarial surplus - Centrus (Nota 21.2)	2,483,386	3,093,869
Others	79,126	76,836
Total	**2,562,525**	**3,170,713**

16 - ITEMS IN THE COURSE OF COLLECTION

These items refer, basically, to operations in foreign currency in the local market – sale in the spot market and sale under repurchase agreement - pending settlement as at the reporting date, whose settlement will occur in up to two or three days.

17 - DEPOSITS OF FINANCIAL INSTITUTIONS

	Dec 31, 2008	Dec 31, 2007
In Foreign Currencies	**631**	**478**
In Local Currency	**90,035,395**	**145,973,427**
Demand Deposits	31,959,001	43,731,820
Savings Deposits	51,035,948	46,323,094
Additional Requirements	-	53,660,663
Other	7,040,446	2,257,850
TOTAL	**90,036,026**	**145,973,905**

The deposits of financial institutions comprise mainly reserve requirements, a traditional mechanism of monetary policy that acts as a short-term liquidity stabilizer in the economy.

The amounts to be deposited are calculated considering the average daily balances that the financial institutions hold from investors and may be required in cash or in federal public securities. Those made in cash are recorded as demand liabilities of the Bank.

In the view of the effects of the international credit crisis, the Bank has taken several measures in order to guarantee appropriate levels of liquidity in the financial system, including the reduction of the percentage of the reserve requirements, the rise of the amount to be deducted from the requirements and the changes in deposit remuneration (note 5.4).

Presently, the main deposits made in cash have the following requirements:

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a) on demand deposits – 42% of the average balance of demand deposits (excluded R$44,000), in a interest-free account;

b) on savings deposits – 20% of savings account deposits (or 15% of rural savings) 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).

The change in the balance of Deposits of Financial Institutions is due to the limitation of liquidity that has come from the international credit crisis, in addition to the effects of the changes in the rules on the reserve requirements that incurred, in general terms, in fewer obligations. As for the reserve requirements on savings deposits, the increase is due to the raise in this sort of investment.

Particularly with respect to the additional requirement, the absence of balance on the reporting date is due to the fact that, presently, it is required in securities. In 2007, when it was required in cash, it met the requirements of a liability.

18 - PAYABLES

The balance recorded as payables comprises:

	Dec 31, 2008	Dec 31, 2007
In Foreign Currencies	**1,485,861**	**1,037,139**
SDR allocations	1,299,768	1,008,466
Others	186,093	28,673
In Local Currency	**1,157,348**	**1,139,276**
Court-ordered payment orders	1,019,290	1,004,547
Others	138,058	134,729
TOTAL	**2,643,209**	**1,143,856**

18.1 In Foreign Currencies

The SDR allocations are resources made available by the IMF to member countries, 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.

18.2 In Local Currency

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 29 of Law 11.768/2008, 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, 2008 refers to court-ordered payment orders to be paid from 2009 onwards.

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19 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2008	Dec 31, 2007
In Foreign Currencies	**11,219,310**	**8,615,362**
Inter-American Development Bank	135,755	110,428
International Bank for Reconstruction and Development	21,357	16,283
International Monetary Fund	10,979,925	8,487,661
Other	82,273	990
In Local Currency	**5,716**	**27,633**
Plata Basin Development Fund	5,716	27,633
TOTAL	**11,225,026**	**8,642,995**

The deposits received from the international financial organizations are mainly demand deposits that the IMF maintains in Brazil. They represent Brazil's interest 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.

The change in the balance of the International Monetary Fund's deposits refers to the appreciation of SDR in relation to the Brazilian Real.

20 - FINANCIAL INSTRUMENTS – BY CATEGORY

20.1 In Foreign Currencies

	Dec 31, 2008		Dec 31, 2007	
	Carrying amount	Mark-to-market Adjustment	Carrying amount	Mark-to-market Adjustment
Financial Assets	**512,512,891**	**512,512,891**	**358,117,237**	**358,117,237**
Loans and receivables	42,028,411	42,028,411	45,601,171	45,601,171
Available-for-sale	13,266,137	13,266,137	10,151,701	10,151,701
Fair value through profit or loss - Held for Trading	457,218,343	457,218,343	302,364,365	302,364,365
Financial Liabilities	**29,842,296**	**29,842,296**	**37,759,860**	**37,759,860**
Other	29,739,734	29,739,734	37,682,423	37,682,423
Fair value through profit or loss - Held for Trading	102,562	102,562	77,437	77,437

20.2 In Local Currency

	Dec 31, 2008		Dec 31, 2007	
	Carrying amount	Mark-to-market Adjustment	Carrying amount	Mark-to-market Adjustment
Financial Assets	**531,259,562**	**527,616,338**	**404,296,302**	**404,296,302**
Held-to-maturity	365,198,927	361,555,703	7,661	7,661
Loans and receivables	6,088,939	6,088,939	20,798,027	20,798,027
Available-for-sale	131,542,139	131,542,139	359,327,701	359,327,701
Fair value through profit or loss - Held for Trading	1,546,385	1,546,385	393,822	393,822
Fair value through profit or loss - Designated by management	26,883,172	26,883,172	23,769,091	23,769,091
Financial Liabilities	**875,029,062**	**875,029,062**	**614,425,470**	**614,425,470**
Other	874,400,512	874,400,512	614,422,607	614,422,607
Fair value through profit or loss - Held for Trading	628,550	628,550	2,863	2,863

Excluding the transactions with securities in local currency (note 9.2), 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 31 through 35 show the Bank risk policy for the management of financial assets and liabilities.

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21 - PROVISIONS

	Dec 31, 2008	Dec 31, 2007
Legal claims	2,831,278	2,100,178
Actuarial liabilities	9,571,503	8,174,326
TOTAL	**12,402,781**	**10,274,504**

21.1. Provisions for Legal Claims

As at December 31, 2008, the Bank was party to 22,748 lawsuits (3,687 as plaintiff and 19,061 as defendant) referring to various subjects, among which are economic plans, employment relationships, privatization procedures and liquidation procedures of financial institutions. As at December 31, 2007 there were 25,902 lawsuits in total, being 3,585 as plaintiff and 22,317 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:

	2008	2007
Initial balance	**2,100,178**	**1,148,323**
Provision	2,100,178	1,434,946
Present Value Adjustment	-	(286,623)
Changes	**731,100**	**951,855**
Constitution	1,276,586	1,355,013
Reversion	(522,209)	(323,317)
Transfer to Court-ordered Payment Orders	(23,277)	(366,464)
Present Value Adjustment reversion	-	286,623
Final balance	**2,831,278**	**2,100,178**
Provision	2,831,278	2,100,178

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, since the Selic rate is the market interest rate.

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. On December 31, 2008, there were 10,871 lawsuits (13,302 in 2007) considered contingent liabilities, amounting to R$285,004,277 (R$202,541,628 in 2007).

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, 2008	Dec 31, 2007
2008	-	312,542
2009	365,942	721,693
2010	1,680,651	328,664
2011	215,204	172,700
2012	82,828	93,845
2013	8,329	1,648
2014	22,156	19,000
2015	438,126	431,794
2016	7,124	7,337
2017	4,113	3,656
2018	4,672	4,682
2019	2,133	2,617
Total	**2,831,278**	**2,100,178**

The Bank, in accordance with court procedures, made deposits linked to its ongoing lawsuits (note 6.2). 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 determines the transfer to the winning 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.

21.2. 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 which purpose is to complement the retirement and pension benefits paid by the social welfare system to employees who retired up to 1990. The plan is funded by contributions from both the plan sponsor and the retired employees. The resources are allocated to Centrus, which is responsible for the management of the plan assets and payments. In 2008 the rates of contributions were reduced to 0% for the sponsor and the participants, in view of the plan's actuarial surplus. 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 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 aiming 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 also 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.

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d) Actuarial calculations

Provision Calculation	Dec 31, 2008 Centrus	Dec 31, 2008 RJU	Dec 31, 2008 Faspe	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Present value of the actuarial obligation for funded plans	2,407,480	10,074,730	509,109	2,836,096	9,394,601	630,064
(-) Fair value of the plan's assets	(4,890,866)	(942,364)	(69,972)	(5,929,965)	(1,784,227)	(66,112)
Net actuarial liabilities (assets)	(2,483,386)	9,132,366	439,137	(3,093,869)	7,610,374	563,952
Actuarial liabilities (assets) recognized in the balance sheet	(2,483,386)	9,132,366	439,137	(3,093,869)	7,610,374	563,952

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, 2008 Centrus	Dec 31, 2008 RJU	Dec 31, 2008 Faspe	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Present value of the actuarial obligation at the beginning of the period	2,836,096	9,394,601	630,064	2,581,782	8,047,265	571,328
(+) Service cost for current period	-	171,868	31,503	-	134,593	30,070
(+) Interest cost	319,302	1,009,160	63,416	320,789	974,760	65,191
(-) Benefits paid in the period	(255,623)	(610,909)	(111,639)	(207,133)	(490,292)	(99,995)
(+) Participants' contributions	1,079	-	55,145	13,729	-	44,093
(+) Actuarial losses	(493,374)	110,010	(159,380)	126,929	728,275	19,378
(=) Present value of the actuarial obligations at the end of the period	2,407,480	10,074,730	509,109	2,836,096	9,394,601	630,064

Plan assets - reconciliation	Dec 31, 2008 Centrus	Dec 31, 2008 RJU	Dec 31, 2008 Faspe	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Fair value of plan assets at the beginning of the period	5,929,965	1,784,227	66,112	4,735,517	1,735,642	71,988
(-) Paid benefits	(255,623)	(610,909)	(111,639)	(207,133)	(490,292)	(99,995)
(+) Participants contributions	1,079	-	55,145	13,729	-	44,093
(+) Sponsor contributions	1,079	-	55,145	13,729	-	44,093
(+) Assets expected return	923,217	242,966	5,079	650,238	210,388	5,433
(+) Actuarial gains	(1,708,851)	(473,920)	130	723,885	328,489	500
Fair value of plan assets at the end of the period	4,890,866	942,364	69,972	5,929,965	1,784,227	66,112

Plan assets - percentage	Dec 31, 2008 RJU	Dec 31, 2008 Centrus	Dec 31, 2008 Faspe	Dec 31, 2007 RJU	Dec 31, 2007 Centrus	Dec 31, 2007 Faspe
Stocks	31.7%	31.7%	-	43.4%	43.4%	-
Debt securities issued by the Federal Government	59.7%	59.7%	57.1%	39.9%	39.9%	68.4%
Property	3.2%	3.2%	-	3.6%	3.6%	-
Other	5.4%	5.4%	42.9%	13.1%	13.1%	31.6%

Income and expenses recognized in the Income Statement	Dec 31, 2008 Centrus	Dec 31, 2008 RJU	Dec 31, 2008 Faspe	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Other Expenses						
Service cost of the current period	-	171,868	31,503	-	134,593	30,070
Interest Income						
Expected return of the plan assets	923,217	242,966	5,079	650,238	210,388	5,433
Interest Expense						
Interest cost	319,302	1,009,160	63,416	320,789	974,760	65,191

Actuarial Gains (Losses) Recognized Directly in Equity	Dec 31, 2008 Centrus	Dec 31, 2008 RJU	Dec 31, 2008 Faspe	Dec 31, 2007 Centrus	Dec 31, 2007 RJU	Dec 31, 2007 Faspe
Opening balance	**745,240**	**(1,456,489)**	**(90,739)**	**148,284**	**(1,056,703)**	**(71,862)**
Recognition	(1,215,476)	(583,930)	159,510	596,956	(399,786)	(18,877)
Closing balance	**(470,236)**	**(2,040,419)**	**68,771**	**745,240**	**(1,456,489)**	**(90,739)**

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Actuarial assumptions	Dec 31, 2008		
	Centrus	RJU	Faspe
Financial			
Discount rate	13.99%	13.09%	13.09%
Expected return from plan assets	16.47%	16.47%	9.29%
Inflation rate	4.5%	4.5%	4.5%
Rate of contribution for retired employees	-	0%	1 a 3%
Rate of contribution for plan sponsor	-	0%	até 3%
Salary growth expectation	-	6.75%	-
Medical costs trend rate	-	-	14.08%
Non-Financial			
Number of active employees	-	4,974	4,794
Number of retired employees	941	3,343	4,208
Number of pensioners	616	264	825
Average of past service (years)	-	22	-
Average expected future service (years)	-	13	-
Average age of active employees	-	48	48
Average age of retired employees	77	61	66
Average age of pensioners	80	60	-
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) Others informations

- The expected yield of the assets of the plans was calculated based on a macroeconomic scenario 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 historical growth of the plan's medical costs in the last four years;

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

	+1%	-1%
Service and interest costs	14,875	(11,965)
Obligation	84,343	(67,845)

- Estimates for 2009:

	Centrus	RJU	Faspe
Contributions	-	-	124,038
Benefits	259,313	773,995	125,998

- Historical information:

	2008			2007		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of the obligations	2,407,480	10,074,730	509,109	2,836,096	9,394,601	630,064
Fair value of the assets	4,890,866	942,364	69,972	5,929,965	1,784,227	66,112
Plan deficit	(2,483,386)	9,132,366	439,137	(3,093,869)	7,610,374	563,952
Experience adjustment arising on the plan liabilities	(115,841)	2,627,683	28,152	(111,725)	(552,159)	(105,736)
Experience adjustment arising on the plan assets	1,708,851	473,920	(130)	(723,885)	(328,489)	(500)

22 - 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:

(Amounts are expressed in thousands of Reais) 31

	Dec 31, 2008		Dec 31, 2007	
	Quantity	Value	Quantity	Value
Banknotes	**4,154,428,371**	**112,722,454**	**4,060,856,307**	**100,529,305**
R$1.00	193,800,070	193,800	283,450,108	283,450
R$2.00	672,256,582	1,344,513	593,475,820	1,186,952
R$5.00	389,452,072	1,947,260	350,451,016	1,752,255
R$10.00	720,859,956	7,208,600	833,824,201	8,338,242
R$20.00	556,457,334	11,129,147	529,793,514	10,595,870
R$50.00	1,425,222,024	71,261,101	1,372,272,592	68,613,630
R$100.00	196,380,333	19,638,033	97,589,056	9,758,906
Coins	**14,161,284,023**	**2,867,425**	**12,993,827,898**	**2,354,956**
R$0.01	3,190,593,451	31,906	3,190,414,817	31,904
R$0.05	3,229,277,764	161,464	3,036,433,722	151,822
R$0.10	3,654,267,563	365,427	3,347,779,055	334,778
R$0.25	1,498,058,210	374,515	1,339,586,260	334,897
R$0.50	1,309,949,160	654,975	1,156,116,337	578,058
R$1.00	1,279,137,875	1,279,138	923,497,707	923,497
Commemorative Coins	**-**	**825**	**-**	**786**
TOTAL		**115,590,704**		**102,885,047**

The currency in circulation raised 12.3% in 2008. This rise is mainly associated with the growth of the nominal Gross Domestic Product – GDP.

23 - EQUITY

23.1. Capital

The item Capital, formerly named Retained Earnings, consists of the following items:

a) initial capital in the amount of R$14,526, representing the capital transferred to the Bank at the moment of its constitution;

b) earnings retained by the Bank up to 1987, and incorporated to its capital, amounting to R$2,561,830;

c) capital increase in the amount of R$ 10,496,072, due to the incorporation of securities issued by the Brazilian Federal Government aiming to rebuild the securities portfolio (Note 9.2).

23.2. Reserves

The reserves consist of:

a) Income Reserve – limited to 25% of the net income of the period, excluding the result of foreign exchange equalization;

b) Revaluation Reserve - resulting from revaluation, made until 2004, of fixed assets used in business operations. The reserve is realized in accordance with the useful lives of the assets.

Notwithstanding the Bank's positive result, it has not been identified any fact that would indicate the need for increasing the Income Reserve.

It should be noted that the constitution of the income reserve in order to reduce the redemption of securities of the Bank's portfolio and, consequently, to keep appropriate conditions for the implementation of the monetary policy was not necessary due to the permission for the National Treasury to issue securities if necessary, in accordance with item VIII of Law 10.179/2001, with the wording of Law 11.803/2008 (note 9.2).

23.3. Gains (Losses) Recognized Directly in Equity

The amount refers to fair value adjustments of financial assets classified as "Available-for-sale" and the actuarial gains and losses resulting from the provision for post-employment benefits payments.

(Amounts are expressed in thousands of Reais) 32

	Dec 31, 2008	Dec 31, 2007
Debt Securities Issued by the Federal Government		
Opening balance	1,200,128	7,267,402
Mark-to-market adjustments	2,158,437	(6,067,274)
Write-off	(419,613)	-
Closing balance	2,938,952	1,200,128
Gold		
Opening balance	1,304,256	893,093
Mark-to-market adjustments	119,294	411,163
Realization	(971)	-
Closing balance	1,422,579	1,304,256
Investments in International Financial Organizations		
Opening balance	(5,357,128)	(4,070,063)
Mark-to-market adjustments	2,513,920	(1,287,065)
Closing balance	(2,843,208)	(5,357,128)
Actuarial gains (losses) (note 21.2)		
Opening balance	(801,988)	(980,281)
Actuarial gains (losses) in period	(1,639,896)	178,293
Closing balance	(2,441,884)	(801,988)
TOTAL	**(923,561)**	**(3,654,732)**

The variation observed in mark-to-market adjustments of the debt securities issued by the Federal Government results from a sharp decline, particularly in longer maturities, of the rates of the LTN, occurred in the second semester of 2008. The write-offs refer to the recognition of gains and losses on securities reclassified from Available-for-Sale category to Held-to-Maturity (note 9.2).

The change in the investments in International Financial Organizations is due to the depreciation of the Real in relation to the SDR.

(Amounts are expressed in thousands of Reais) 33

24 - NET INTEREST INCOME

	2008	2007
Foreign Currency Operations		
Interest income	**625,594**	**1,955,036**
Cash and Cash Equivalents	114,813	404,203
Deposits	41,791	980,533
Commitment under agreements	416,163	561,317
Other	52,827	8,983
Interest expenses	**(693,173)**	**(560,505)**
Commitment under agreements	(661,083)	(502,894)
Loans	(27,137)	(52,658)
Other	(4,953)	(4,953)
Net income	**(67,579)**	**1,394,531**
Local Currency Operations		
Interest income	**52,955,600**	**41,731,045**
Securities operations	48,014,060	39,287,581
Other	4,941,540	2,443,464
Interest expenses	**(73,313,979)**	**(57,347,826)**
Deposits Received from Financial Institutions	(9,884,935)	(8,364,871)
Commitment under agreements	(33,574,084)	(19,496,752)
Federal Government	(28,398,135)	(27,760,956)
Other	(1,456,825)	(1,725,247)
Net income	**(20,358,379)**	**(15,616,781)**
Total Interest income	**53,581,194**	**43,686,081**
Total Interest expenses	**(74,007,152)**	**(57,908,331)**
Total Interest net income (loss)	**(20,425,958)**	**(14,222,250)**

The significant variation in the interest income is due to:

a) the decrease of foreign currency interest income, because of the reduction of transactions with deposits in foreign currencies, considering the Board of Directors' determination to reduce exposure to credit risk in view of the international financial crisis;

b) the increase of interest income of local currency securities transactions, due to the increase of the Federal Government Debt Securities portfolio (note 9.2);

c) the growth of interest expenses in local currency operations caused by the increase in operations carried out with commitment under agreement, which are used by the Bank to manage liquidity (note 7.2).

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

	2008	2007
Foreign Currency Operations	152,886,550	(20,890,893)
Debt securities	152,832,644	(20,574,458)
Derivatives	(157,681)	16,841
Deposits - Outsourced administration	211,587	(333,276)
Local Currency Operations	(121,289,621)	(8,301,235)
Derivatives	(121,289,632)	(8,301,237)
Other	11	2

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It refers to the change in the price of assets classified in this category and includes the exchange rate, the interests and the mark-to-market adjustments. This variation is due, mainly, to the effects of the strong depreciation of the Brazilian Real in relation to the main foreign currencies that compound international reserves (note 3.3) in the period, which led to the appreciation of assets in foreign currency, especially securities, and to the recognition of a negative result in local currency, motivated by the foreign exchange equalization operation with the National Treasury (note 8.2.b).

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

This item includes the interest accrual and the mark-to-market adjustments of the receivables from financial institutions under extrajudicial liquidation (note 11.2).

27 - 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 as "At Fair Value through Profit or Loss.

	2008	2007
Transactions in foreign currencies	513,371	(3,789,892)
Time Deposits	908,487	(3,833,489)
Cash and Cash Equivalents	3,612,664	(2,098,129)
Liabilities from International Financial Organizations	(2,525,251)	1,307,509
Commitment under agreements	1,056,091	151
Items in the course of collection	(2,553,495)	951,281
Other	14,875	(117,215)
Transactions in local currencies	(47,816)	(1,860,001)
Securities issued by the National Treasury	(39,523)	(1,867,438)
Other	(8,293)	7,437

The variation observed in the period is due to the depreciation of the Real in relation to the main foreign currencies (note 3.3) and the decrease of the volume of the reverse repo transactions (notes 6 and 7).

28 - OTHER INCOME AND EXPENSES

	2008	2007
Other Income	1,957,050	2,739,947
Fines	73,650	91,788
Transfer under the Budget Law by the National Treasury	1,042,519	520,819
Court-ordered payment orders	56,550	47,564
Provision for legal claims	537,684	667,083
Fees	146,611	135,289
Liabilities derecognition	-	1,220,816
Other	100,036	56,588
Other Expenses	(3,363,234)	(3,379,808)
Personnel	(1,250,285)	(1,035,001)
Cost of production and distribution of currency	(571,046)	(483,591)
Provision for legal claims	(1,278,120)	(1,620,887)
Depreciation	(34,861)	(34,199)
Other administratives expenses	(196,394)	(181,944)
Other	(32,528)	(24,186)

The variation of the item "Other Income" results, basically, from the increase of the transfers from the National Treasury, whose effect was offset by the fact that, in 2007, the item "Other Income" recorded revenues from liabilities derecognition motivated by the extinction of the debt that the Bank had to Centrus.

(Amounts are expressed in thousands of Reais) 35

29 - NET INCOME

The 2008 net income was R$13,345,393 (R$47,514,139 negative in 2007) and refers to the income of the Bank's portfolio of Brazilian federal government debt securities. The difference to the 2007 net income is due to the enactment of Law 11.803/2008, which instituted the operations of foreign exchange equalization between the Bank and the National Treasury (note 8.2.b).

The results (R$3,172,740) of the first semester of 2008 was transferred to the National Treasury in September 2008 and the result of the second semester (R$10,172,653) will be transferred until the tenth business day subsequent to the approval of these financial statements by the CMN (note 1).

30 - 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, 2008	Dec 31, 2007
Cash	**207,256**	**31,156**
Demand Deposits	**392,951**	**1,113,439**
Uncommited deposits	366,147	134,408
Foreign currencies to be received	26,804	979,031
Short-term deposits	**4,698,663**	**3,117,110**
Total	**5,298,870**	**4,261,705**

31 - 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 keeps its international reserves 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. To that end, the Board of Directors established a portfolio of reference that reflects your goals and preferences with regard to long-term risk-return ratio, restrictions on the liquidity and, yet, as to operational limits to be observed in the investment process.

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

Composed mainly of operations with federal government debt securities and swaps, the portfolio of securities issued by the National Treasury is managed primarily in order to fulfill the objectives of the monetary and foreign exchange policies, usually by means of open market operations. In relation to the exchange rate swaps (note 8.2.a) 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 32 to 35 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.

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32 - CREDIT RISK

Credit risk is defined as the possibility of loss related to a counterparty default.

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).

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.

Note that, in face of the instability caused by the crisis in the international financial market, with the resulting lack of liquidity and the significant increase in the credit risk of financial institutions, the Bank carried out several temporary and prudential measures in the application of international reserves to reduce exposure to credit risk in bank market, including a reduction in the volume of transactions with deposits, repos and reverse repos.

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 Stock, Futures and Commodities Exchange (BM&F Bovespa), 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, 2008	Dec 31, 2007
Brazil	566,490,193	407,558,624
European Union	79,021,861	58,771,907
United States of America	343,747,395	289,348,597
Others	54,513,003	6,734,411
Total	**1,043,772,452**	**762,413,539**

(Amounts are expressed in thousands of Reais) 37

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

Dec 31, 2008

	Financial Institutions	International Financial Organization	Government Institutions	Other	Total
Cash and Cash Equivalents	4,918,898	1,965,342	797,290	-	7,681,530
In foreign currencies	2,536,238	1,965,342	797,290	-	5,298,870
In local currency	2,382,660	-	-	-	2,382,660
Deposits	4,319,195	791,625	-	-	5,110,820
In foreign currencies	3,711,260	791,625	-	-	4,502,885
In local currency	607,935	-	-	-	607,935
Financial Assets Purchased Under Resell Agreement	25,283,568	-	-	-	25,283,568
In foreign currencies	25,239,270	-	-	-	25,239,270
In local currency	44,298	-	-	-	44,298
Derivatives	1,577,656	-	-	-	1,577,656
In foreign currencies	31,271	-	-	-	31,271
In local currency	1,546,385	-	-	-	1,546,385
Debt securities	-	59,357,315	890,570,724	-	949,928,039
In foreign currencies	-	59,357,315	393,829,658	-	453,186,973
In local currency	-	-	496,741,066	-	496,741,066
Receivables from the Federal Government	-	-	14	-	14
Credits Receivable	13,976,811	-	-	26,920,895	40,897,706
In foreign currencies	10,987,472	-	-	-	10,987,472
In local currency	2,989,339	-	-	26,920,895	29,910,234
Investments in International Financial Organizations	-	11,070,364	-	-	11,070,364
Other	1,305,369	-	890,417	26,969	2,222,755
In foreign currencies	1,305,369	-	890,417	-	2,195,786
In local currency	-	-	-	26,969	26,969
Total Assets	**51,381,497**	**73,184,646**	**892,258,445**	**26,947,864**	**1,043,772,452**

Dec 31, 2007

	Instituições Financeiras	Organismos Internacionais	Órgãos Governamentais	Outros	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 Resell Agreement	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**

(Amounts are expressed in thousands of Reais) 38

33 - 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.

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

The market risk of these instruments is continuously monitored by means of the VaR calculated for the Bank, which includes all exposures shown in the balance sheet.

33.1. 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, 2008		Dec 31, 2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Fixed-rate	696,645,218	319,710,983	559,057,758	187,158,135
Variable rate	328,005,542	532,150,693	192,193,396	409,123,798
Interest free	19,121,692	53,009,682	11,162,385	55,903,397
Total	**1,043,772,452**	**904,871,358**	**762,413,539**	**652,185,330**

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). The measurement of these assets is described in note 3.4.5.

(Amounts are expressed in thousands of Reais) 39

Dec 31, 2008

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Interest free	Total
Assets							
Cash and Cash Equivalents	4,386,290	-	-	-	-	3,295,240	7,681,530
In foreign currencies	4,386,290	-	-	-	-	912,580	5,298,870
In local currency	-	-	-	-	-	2,382,660	2,382,660
Deposits	4,958,941	-	-	-	-	151,879	5,110,820
In foreign currencies	4,351,006	-	-	-	-	151,879	4,502,885
In local currency	607,935	-	-	-	-	-	607,935
Financial Assets Purchased Under Resell Agreement	14,879,366	10,404,202	-	-	-	-	25,283,568
In foreign currencies	14,835,068	10,404,202	-	-	-	-	25,239,270
In local currency	44,298	-	-	-	-	-	44,298
Derivatives	-	-	-	-	-	1,577,656	1,577,656
In foreign currencies	-	-	-	-	-	31,271	31,271
In local currency	-	-	-	-	-	1,546,385	1,546,385
Debt securities	331,773,382	13,055,805	39,379,501	466,615,089	99,104,262	-	949,928,039
In foreign currencies	265,982	1,416,784	7,834,801	364,381,423	79,287,983	-	453,186,973
In local currency	331,507,400	11,639,021	31,544,700	102,233,666	19,816,279	-	496,741,066
Receivables from the Federal Government	-	-	-	-	-	14	14
Credits Receivable	29,106,450	5,549,053	5,438,419	-	-	803,784	40,897,706
In foreign currencies	-	5,549,053	5,438,419	-	-	-	10,987,472
In local currency	29,106,450	-	-	-	-	803,784	29,910,234
Investments in International Financial Organizations	-	-	-	-	-	11,070,364	11,070,364
Other	-	-	-	-	-	2,222,755	2,222,755
In foreign currencies	-	-	-	-	-	2,195,786	2,195,786
In local currency	-	-	-	-	-	26,969	26,969
Total Assets (A)	**385,104,429**	**29,009,060**	**44,817,920**	**466,615,089**	**99,104,262**	**19,121,692**	**1,043,772,452**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	2,871,397	2,871,397
In foreign currencies	-	-	-	-	-	2,871,375	2,871,375
In local currency	-	-	-	-	-	22	22
Deposits Received from Financial Institutions	52,032,184	-	-	-	631	38,003,211	90,036,026
In foreign currencies	-	-	-	-	631	-	631
In local currency	52,032,184	-	-	-	-	38,003,211	90,035,395
Financial Assets Sold Under Repurchase Agreement	330,218,851	22,993,467	6,685,008	-	-	-	359,897,326
In foreign currencies	13,919,806	241,763	-	-	-	-	14,161,569
In local currency	316,299,045	22,751,704	6,685,008	-	-	-	345,735,757
Derivatives	-	-	-	-	-	731,112	731,112
In foreign currencies	-	-	-	-	-	102,562	102,562
In local currency	-	-	-	-	-	628,550	628,550
Payables to the Federal Government	437,426,384	-	-	-	-	-	437,426,384
Accounts Payable	1,173,564	5,642	14,804	12,235	1,298,906	138,058	2,643,209
In foreign currencies	154,274	5,642	14,804	12,235	1,298,906	-	1,485,861
In local currency	1,019,290	-	-	-	-	138,058	1,157,348
Deposits Received from International Financial Organizations	-	-	-	-	-	11,225,026	11,225,026
In foreign currencies	-	-	-	-	-	11,219,310	11,219,310
In local currency	-	-	-	-	-	5,716	5,716
Other	-	-	-	-	-	40,878	40,878
In foreign currencies	-	-	-	-	-	988	988
In local currency	-	-	-	-	-	39,890	39,890
Total Liabilities (B)	**820,850,983**	**22,999,109**	**6,699,812**	**12,235**	**1,299,537**	**53,009,682**	**904,871,358**
Net Position (A - B)	**(435,746,554)**	**6,009,951**	**38,118,108**	**466,602,854**	**97,804,725**	**(33,887,990)**	**138,901,094**

(Amounts are expressed in thousands of Reais) 40

Dec 31, 2007

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Interest free	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 Resell Agreement	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 Repurchase Agreement	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
Payables to the Federal Government	275,843,164	-	-	-	-	490,455	276,333,619
Accounts Payable	1,010,510	8,415	2,101	17,465	1,003,195	134,729	2,176,415
In foreign currencies	5,963	8,415	2,101	17,465	1,003,195	-	1,037,139
In local currency	1,004,547	-	-	-	-	134,729	1,139,276
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
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**

33.2. Exchange rate 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, being this type of risk inherent in their operations.

On December 31, 2008, the distribution of assets and liabilities by currency was as follows:

(Amounts are expressed in thousands of Reais) 41

Dec 31, 2008

	US$	Euro	SDR	Other	Total
Assets					
Cash and Cash Equivalents	4,439,745	632,936	2,598	223,591	5,298,870
Time Deposits Placed with Financial Institutions	4,502,885	-	-	-	4,502,885
Financial Assets Purchased Under Resell Agreement	25,182,786	56,484	-	-	25,239,270
Derivatives	16,442	-	-	14,829	31,271
Debt Securities in Foreign Currencies	405,494,855	43,018,143	-	4,673,975	453,186,973
Securities linked to Exchange Rate Variations	-	-	-	-	-
Credits Receivable	10,987,472	-	-	-	10,987,472
Investments in International Financial Organizations	-	-	11,070,364	-	11,070,364
Other	2,195,773	13	-	-	2,195,786
Total Assets (A)	**452,819,958**	**43,707,576**	**11,072,962**	**4,912,395**	**512,512,891**
Liabilities					
Items in the Course of Collection	2,528,201	248,944	-	94,230	2,871,375
Deposits Received from Financial Institutions	631	-	-	-	631
Financial Assets Sold Under Repurchase Agreement	14,005,581	19,423	-	136,565	14,161,569
Derivatives	87,095	15,467	-	-	102,562
Accounts Payable	186,093	-	1,299,768	-	1,485,861
Deposits Received from International Financial Organizations	157,112	-	10,979,925	82,273	11,219,310
Other	983	5	-	-	988
Total Liabilities (B)	**16,965,696**	**283,839**	**12,279,693**	**313,068**	**29,842,296**
Derivatives - Short position (C)	**163,613,193**	**23,987**		**205,972**	**163,843,152**
Derivatives - Long position (D)	**136,372,264**	**12,577,300**		**2,209,274**	**151,158,838**
Net position (A - B + C - D)	**463,095,191**	**30,870,424**	**(1,206,731)**	**2,596,025**	**495,354,909**

Dec 31, 2007

	US$	Euro	Des	Outros	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 Resell Agreement	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 Repurchase Agreement	27,766,297	-	-	-	27,766,297
Derivatives	72,876	4,561	-	-	77,437
Accounts Payable	28,673	-	1,008,466	-	1,037,139
Deposits Received from International Financial Organizations	126,711	-	8,487,661	990	8,615,362
Other	1,300	16	-	-	1,316
Total 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**

33.3 Foreign exchange equalization

The foreign exchange equalization operation was established by Law 11.803/2008, having as main objectives to give greater transparency to the results of operations of the monetary authority and to reduce the volatility of the Bank results, generated by the growing currency mismatch between assets and liabilities. This volatility affects the analysis of the result of monetary policy operations, which is the main purpose of the institution, by the national and international economic agents.

This operation transfers to the Federal Government,through the National Treasury, the cost of maintaining the international reserve and the result of exchange rate swap transactions carried out in the domestic market. These amounts are reckoned daily and the balance payable or receivable is calculated on the last business day of the semester. This amount will be settled under the same rules established for the transfer or coverage of the bank result.

(Amounts are expressed in thousands of Reais) 42

a) Equalization of the international reserves maintenance cost

The Bank is on the asset side with respect to the international reserves maintenance cost, represented by the funding rate of the total liabilities, and on the liability side with respect to the foreign exchange variation plus interest on the international reserves portfolio. As a result, the equalization works as an instrument to provide foreign exchange and interest rate hedges for the Bank, reducing its exposure to foreign currency and ensuring coverage of the international reserves maintenance cost.

The table below shows the net position of the Bank in foreign currency, on December 31, 2008, adjusted by the position taken in the foreign exchange equalization operation:

Net position in foreign currency	495,354,909
Foreign exchange equalization	(474,656,536)
Exposure to foreign currency	**20,698,373**

Concerning the interest rates, the result obtained by the Bank in the operations of foreign exchange equalization, based on the average balance of international reserves in the period, was negative by 0.6%, since the funding cost, covered by the Treasury, was 9.36%, while the interest result (including the mark-to-market adjustments) of international reserves, transferred to the Treasury, was 9.96%.

b) Equalization of the exchange rate swap carried out in the domestic market

The Bank carries out swap transactions with the National Treasury with opposite characteristics of the exchange rate swaps conducted in the domestic market, achieving a perfect hedge, since notional amounts and rates are identical, but, with the position reversed.

Considering the equalization, the exchange rate swaps conducted in the domestic market do not expose the Bank to foreign exchange or interest rate risks.

33.4 VaR analysis

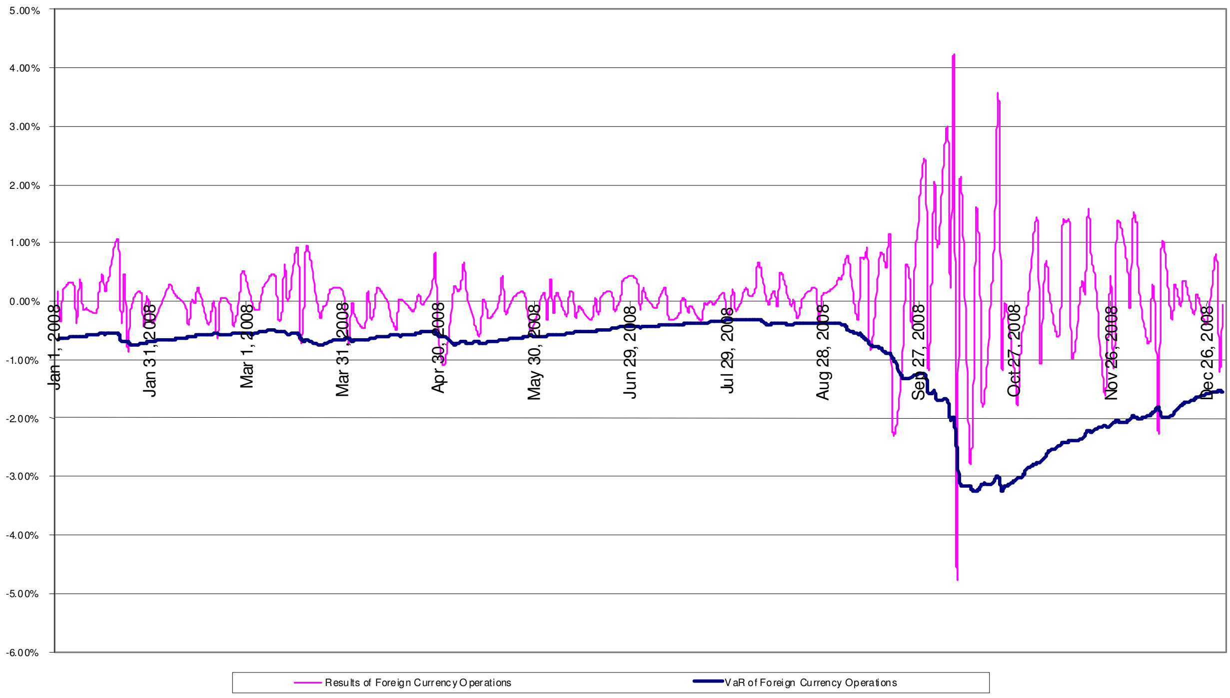
The Value at Risk (VaR) provides a sensitivity analysis of the result that reflects the interdependence between risk variables (e.g. interest rates and exchange rates). The Bank's VaR was calculated using the model based on the RiskMetrics®, with a confidence level of 95%, and the historical series of daily results of the Bank.

The calculation of VaR was affected by the establishment of the foreign exchange equalization operation between the Bank and the National Treasury (note 8.2.b), since the result of the transactions with international reserves (which constitute the bulk of assets in foreign currencies) was sterilized by a result of the same value but of opposite sign in the local currency transactions. In other words, the exchange rate risk in foreign currencies is held by the National Treasury on a daily basis.

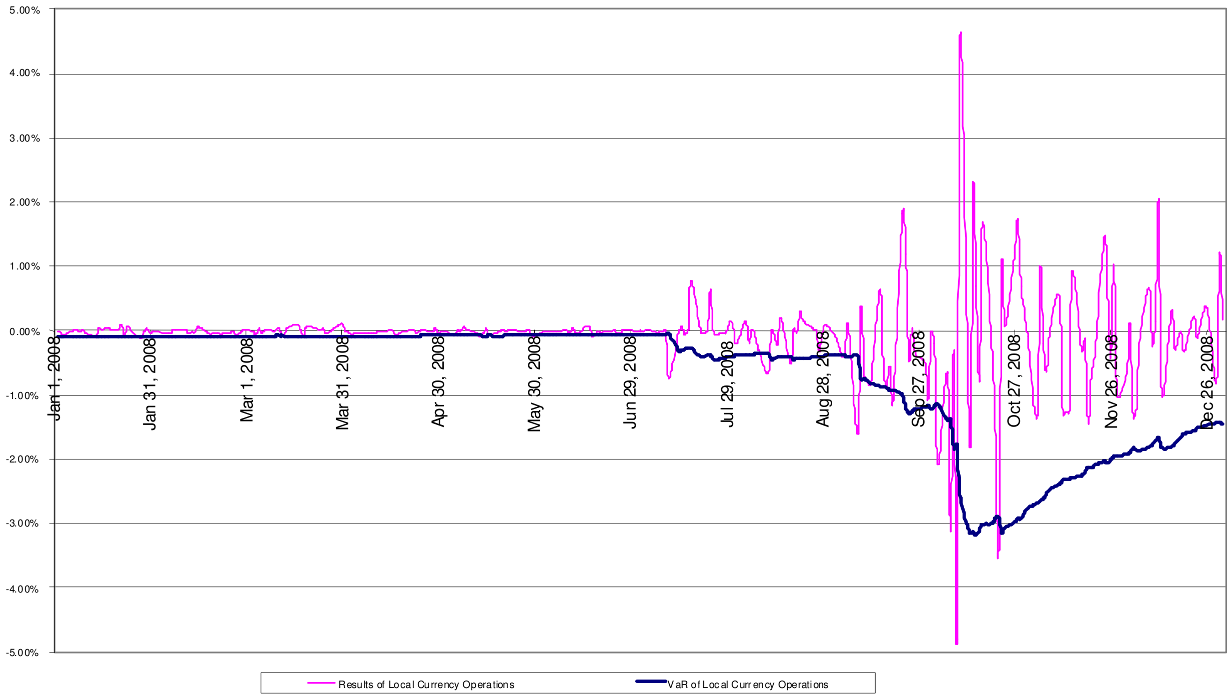
However, due to operational deficiencies, the accounting for the results of the foreign exchange equalization operation occurred with a time lag until October 15, 2008, which made impossible the calculation of the correct VaR up to that date. Since then, the accounting for these results has occurred daily on the same date of calculation.

As the results of local currency transactions did not suffer relevant deviations that could make impossible the calculation of VaR and the accounting for the result of foreign currencies transactions was not affected by such time lag, the VaR and the result of these transactions are shown separately:

Daily Results and VaR of Foreign Currency Operations



Daily Results and VaR of Local Currency Operations



The daily VaR of the foreign currency operations, as of the end of 2008, was 1.56% of the total assets, scaled to 24.82% annually, thus, by means of these operations, with a 95% confidence level, the Bank would not have an annual loss greater than 24.82% of its assets. On the other hand, the daily VaR of the local currency operations, as of the end of 2008, was 1.47% of the total assets, scaled to 23.29% annually, thus, by means of these operations, with a 95% confidence level, the Bank would not have an annual loss greater than 23.29% of its assets.

Therefore, the result of the foreign currency operations (R$153,333,313 positive) and the result of the local currency operations (R$138,581,736 negative) observed in the period are compatible with the degree of market risk exposure of the Bank's portfolio.

(Amounts are expressed in thousands of Reais) 44

It is worth emphasizing that, in 2008, in face of the international financial crisis and the market volatility, extreme events occurred with the variables that affect the exposure to market risk of the Bank's portfolio, especially with respect to the exchange rate. Thus, if the Bank had not formed a considerable amount of international reserves, the Country would be much more sensitive to the exchange rate depreciation, which could cause results of absolute magnitude greater than the observed, even though the nominal foreign exchange exposure of the balance sheet were lower.

34 - 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 attributions 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) Maturity:

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

Dec 31, 2008

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	5,298,870	-	-	-	-	5,298,870
Time Deposits Placed with Financial Institutions	4,502,885	-	-	-	-	4,502,885
Financial Assets Purchased Under Resell Agreement	14,835,068	10,404,202	-	-	-	25,239,270
Derivatives	24,247	7,024	-	-	-	31,271
Debt Securities	265,982	1,416,784	7,834,801	364,381,423	79,287,983	453,186,973
Credits Receivable	-	5,549,053	5,438,419	-	-	10,987,472
Investments in International Financial Organizations (*)	-	-	-	-	11,070,364	11,070,364
Other (*)	2,195,786	-	-	-	-	2,195,786
Total Assets (A)	**27,122,838**	**17,377,063**	**13,273,220**	**364,381,423**	**90,358,347**	**512,512,891**
Liabilities						
Items in the Course of Collection	2,871,375	-	-	-	-	2,871,375
Deposits Received from Financial Institutions	-	-	-	-	631	631
Financial Assets Sold Under Repurchase Agreement	13,919,806	241,763	-	-	-	14,161,569
Derivatives	96,217	6,345	-	-	-	102,562
Accounts Payable	154,274	5,642	14,804	12,235	1,298,906	1,485,861
Deposits Received from International Financial Organizations	-	-	-	-	11,219,310	11,219,310
Other	988	-	-	-	-	988
Total Liabilities (B)	**17,042,660**	**253,750**	**14,804**	**12,235**	**12,518,847**	**29,842,296**
Net Position (A - B)	**10,080,178**	**17,123,313**	**13,258,416**	**364,369,188**	**77,839,500**	**482,670,595**

(*) The interest in International Financial Organizations and the Gold were classified in a ">5 years" duration, once they do not have expiration date.

(Amounts are expressed in thousands of Reais) 45

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 Resell Agreement	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 Repurchase Agreement	27,766,297	-	-	-	-	27,766,297
Derivatives	77,437	-	-	-	-	77,437
Accounts Payable	6,175	8,410	5,161	12,810	1,004,583	1,037,139
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**

(*) The interest in International Financial Organizations and the Gold were classified in a ">5 years" duration, once they do not have expiration date.

35 - OPERATIONAL RISK

Operational risk contemplates the possibility of financial loss, damage to reputation or inability to achieve the goals of the business, resulting from one or more causes of risk, caused by human factors, deficient or inadequate processes or systems, or yet, generated by external events. In controlling and preventing the occurrence of this risk, the Bank has internal control systems according to the characteristics of its activities. The Bank's bylaw establishes 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.

36 - RELATED PARTIES

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

36.1. 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 mandates, 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 (note 10), excluding mark-to-market adjustments. In 2008, the aforementioned yield was 13.20% (12.65% in 2007).

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 (note 10).

c) Foreign exchange equalization:

The Law 11.803/2008 created the foreign exchange equalization operation with the objective of giving greater transparency to the results of the monetary authority operations and of reducing the volatility of the Bank results, generated by the increasing mismatch between assets and liabilities in foreign currency. This volatility affects the analysis of the result of monetary policy operations of the Bank by national and international stakeholders. The amounts and characteristics of these operations are described in note 8.2.

d) Transfer under Budget Law:

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

e) 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 coursed. Those courts have to deal with the budgetary and financial issues, i.e., they must obtain authorization and make the payments. The Bank no longer uses its resources to pay for those obligations (note 18.2 and 21.1).

f) 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.

g) 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:

(Amounts are expressed in thousands of Reais) 47

	2008	2007
National Treasury Operating Account		
Opening balance	275,843,164	226,047,319
(+) remuneration	28,203,499	27,678,028
(+/-) deposits/redemptions	(52,079,062)	22,117,817
(+) positive result transferred	3,249,125	-
Closing balance	255,216,726	275,843,164
Federal Government Debt Securities		
Opening balance	359,335,362	303,860,298
(+/-) net issue/redemption	87,692,351	24,122,195
(+) remuneration	47,554,922	37,420,141
(+/-) mark-to-market adjustments	2,158,432	(6,067,272)
Closing balance	496,741,067	359,335,362
Result to be covered by the National Treasury		
Opening balance	17,346,831	14,284,589
(+) remuneration	903,722	1,336,467
(-) payments	(18,250,553)	(46,615,196)
(+) negative result to be covered	-	48,340,971
Closing balance	-	17,346,831
Result to be transferred to the National Treasury		
Opening balance	-	-
(+) remuneration	73,242	-
(-) transfers	(3,249,125)	-
(+) positive result to be transferred	13,351,678	
Closing balance	10,175,795	-
Foreign Exchange Equalization		
Opening balance	-	-
(+) adjustments	(126,617,756)	-
(+/-) transfers to credits payable (receivable)	126,617,756	-
Closing balance	-	-
Credit receivable due to the result of foreign exchange equalization		-
Opening balance	-	-
(+) remuneration	2,775,861	-
(+) foreign exchange equalization result	44,798,256	-
(-) amounts received	(47,574,117)	
Closing balance	-	-
Credit payable due to the result of foreign exchange equalization		-
Opening balance	-	-
(+) remuneration	-	-
(+) foreign exchange equalization result	171,416,012	-
Closing balance	171,416,012	-
Transfer under Budget Law	1,042,519	520,819

36.2. 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 21.2). The Bank is the sponsor of Centrus, and as a result, the following transactions occurred between the entities.

(Amounts are expressed in thousands of Reais) 48

	2008	2007
Resources managed by Centrus		
Opening balance	1,784,227	1,735,642
(+/-) actuarial gains/losses	(473,920)	328,489
(-) amounts received	(610,909)	(490,292)
(+) interest	242,966	210,388
Closing balance	942,364	1,784,227
Actuarial Surplus		
Opening balance	3,093,868	2,153,735
(+/-) actuarial gains/losses	(1,215,477)	596,956
(+) contributions	1,079	13,728
(+) interest	603,916	329,449
Closing balance	2,483,386	3,093,868
Mathematical Reserves to be paid-up		
Opening balance	-	1,093,020
(+) partial refund	-	459
(+) interest	-	127,796
(-) write-off	-	(1,220,816)
(-) amounts received	-	(459)
Closing balance	-	-
Payment of management fee	5,231	18,984

The main variations observed in the period occurred as a result from the recognition of actuarial losses due to the effects of the increase of the benefit values and, also, caused by the reduction of the contribution rates, both of the sponsor and the participants, to 0%.

36.3. 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. Furthermore, the Bank indicates one member of the Council of Administration.

In 2008, the Bank acquired banknotes and coins that totaled an expense of R$479,427 (R$391,562 in 2007).

36.4. 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.

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

The resources of the Redi-BC are destined to fund the execution of relevant and essential projects that aim to achieve the operation and institutional development through the implementation of actions defined within the strategic planning. In 2008, Redi-BC spent R$71,988 (R$53,586 in 2007) for the Bank and also reimbursed it in the amount of R$913 (R$777 in 2007) as an administration fee.

36.6. Fundo de Assistência ao Pessoal – FASPE

Faspe is a fund created to manage resources destined to the maintenance of healthcare benefits of the Bank's employees. It was created by Law 9,650, on May 27, 1998, which determines that its resources shall 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 resources for the covering of such deficit.

In 2008, the Bank made R$55,126 (R$43,505 in 2007) in contributions to the Faspe.

36.7. 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 or employees. The key-people 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. Salaries and benefits are established by law and there is not any relation between them and the financial performance of the Bank.

The total remuneration of the Board of Directors (including salaries, benefits, social security and other wage-related expenses) amounted to R$2,425 in 2008 (R$2,010 in 2007). The total amount for the remaining key-people was R$14,379 in 2008 (R$9,463 in 2007).

37 - 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;

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 superavit of R$3,805,559 in the third quarter and a superavit of R$6,367,094 in the fourth quarter, totaling a positive result of R$10,172,653 in the second semester of the year. After realization of revaluation reserves, this result will be transferred to 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.

(Amounts are expressed in thousands of Reais) 50

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$6,832,276 in the third quarter of 2008 and to R$6,919,676 in the fourth quarter of 2008 (R$13,751,952 in the semester).

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

The cost of maintaining foreign exchange reserves is calculated as the difference between the yield on international reserves, including the exchange rate variation, and the average funding cost of the Bank. This calculation used to be done by the average of the daily balances until the enactment of Law 11.803/2008. Since then, the calculation is done daily, without using the average balances.

On December 31, 2008, the sovereign debt securities represented 97.4% of total international reserves, as disclosed in Press Note on the External Sector (Table 47), available on the Bank's website (www.bcb.gov.br).

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance (R$ '000)	Profitability (%)	(%)	(%)	(R$ '000)
3rd quarter	341,475,852	20.86%	3.13%	17.73%	60,549,968
4th quarter	454,076,744	24.44%	2.35%	22.09%	100,319,817
Total in the semester					**160,869,785**

International reserves had positive returns of 20.86% in the third quarter and 24.44% in the fourth quarter of 2008, already considering the negative fluctuation of the Real in relation to the main currencies that compounded the international reserves in the period. Excluding the funding cost of the Bank, the net result of the international reserves was positive by 17.73% (R$60,549,968) and by 22.09% (R$ 100,319,817) in the last two quarters, respectively.

d) Profitability of the securities portfolio, emphasizing the securities issued by the Brazilian Federal Government - Fiscal Responsibility Law, Article 7, Paragraph 3:

Debt Securities issued by the Federal Government	Income	Expenses	Result
3rd quarter	13,061,585	-	**13,061,585**
4th quarter	13,340,384	-	**13,340,384**
Total in the semester	**26,401,969**	**-**	**26,401,969**

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Alexandre Antônio Tombini
Anthero de Moraes Meirelles
Antônio Gustavo Matos do Vale
Alvir Alberto Hoffmann
Maria Celina Berardinelli Arraes
Mário Gomes Torós
Mário Magalhães Carvalho Mesquita

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 at December 31, 2008 and 2007, and the related statements of income, changes in equity and cash flows 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 misstatements. 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

4 As per Notes 8.2 (b) and 29, an operation of foreign exchange equalization was contracted in 2008, whose main objective is to reduce the volatility of the Bank's results, generated by the growing unbalance between foreign assets and liabilities. The operation has as counterpart the Federal Government and is grounded on Provisional Measure 435/08, which was enacted into Law 11.803 on November 5, 2008. Therefore, the net income of Bacen related to the year ended December 31, 2007 does not include the effects of the aforementioned transaction.

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 Note 37 are not the pieces of information requested by International Financial Reporting Standards, but they are being presented in compliance with the Tax Liability Law. This supplementary information was submitted to the same audit procedures as described in Paragraph 2 above. In our opinion this information is fairly presented in all material aspects in relation to the financial statements taken as a whole.

February 19, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF

Original report in Portuguese signed by
Ricardo Anhesini Souza
Accountant CRC 1SP152233/O-6-S-DF