Banco do Brasil S.A.

Financial Statements US GAAP

December 31, 2008 and 2007

(A free translation of the original report in Portuguese as issued in Brazil containing financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP)

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Dear Shareholders,

We present the Management Report, attached to the Financial Statements of Banco do Brasil for the year 2008, prepared in conformity with the Generally Accepted Accounting Principles in the United States – US GAAP.

Macroeconomic Environment

The year 2008 was marked by the progress of the most serious financial crisis in the developed countries since the 1930's. The disturbances that originated in the US real estate market have given rise to unprecedented losses in the global markets. This scenario reflected unfavorably in the international market's credit activities, lack of liquidity, greater aversion to risk, and subsequently a downturn in the outlook for growth in the world economy, aggravated by the signs of recession evidenced in the developed economies.

In Brazil, the crisis' adverse effects were felt in the form of a restricted flow of overseas funds and of credit facilities, in addition to the reduced rate of economic activity. Nonetheless, the preservation of macroeconomic pillars is a feature that renders more flexibility, yet not necessarily immunity, to the Brazilian economy against the potential impact of external disruptions.

Despite the increased funding costs, activities in the bank credit market continued to reflect good performance, and the activity indicators showed signs of slowing down by the year's end only.

Highlights of the period

In the year of its 200 years celebration, Banco do Brasil confirms its position as one of Latin America's major banks. With is focus on business sustainability, the Bank recorded a net income of R$ 9.7 billion for the year, with a 25.9% annualized return on shareholders' equity and maintaining the profitability trend reflected over recent years. R$ 3.5 billion was set aside as shareholders' compensation - R$ 1.5 billion as interest on own capital and R$ 2.0 billion in dividends.

Pursuant to its growth and business expansion strategy, Banco do Brasil absorbed Banco do Estado de Santa Catarina (BESC) and Banco do Estado do Piauí (BEP), and acquired control of Banco Nossa Caixa. These acquisitions allowed Banco do Brasil to increase its presence and gain business leadership in these states.

With the approval of the acquisition by the Shareholders' Meetings, a transition period for the adequacy of the structure and absorption of acquired banks by BB has started. This process implied costs of R$ 9.4 million in 2008. Regarding synergic gains, the Brazilian Central Bank expects to reduce administrative expenses and to improve profitability of clients with the offer of products from its portfolio.

In 2009, Banco do Brasil acquired 50% of Banco Votorantim's shares and partnered with the Institution to strengthen its position in consumer credit, and in the corporate banking and capital market segments.

The balance of loan operations grew 38.1% in 12 months, reaching R$ 224.6 billion, and a 17.1% market share. The expansion of 38.4% in loans to individuals and of 43.5% in loans to businesses deserves special mention. Further with regard to loans, BB intensified its strategy of acquiring loan portfolios from small-scale banks, encouraged by measures taken by the Banco Central do Brasil allowing such transactions funded by reserve requirements.

Reflecting 39.2% in growth as compared to the previous year, funding by Banco do Brasil rose to R$ 363.1billion. Highlight to time deposits, that reached R$73.7 billion at an average cost of 97.5% of the inter-bank rate (CDI).

Credit card transactions, with R$ 64.3 billion in billings gave rise to R$ 3.6 billion in revenues to the Bank. This performance allowed Banco do Brasil to increase its market share to 17.1%.

The business expansion was accomplished together with a stringent control of expenses. Net interest and non-interest income grew 12.4% and 4.7%, respectively, while non-interest expenses grew only 2.4%.

Banco do Brasil investments in culture initiatives (R$ 35.1 million), sports marketing (R$ 47.6 million) and in educational and job and income generation programs of Fundação Banco do Brasil (R$ 54.2 million) reached 203 thousand people and benefited 799 municipalities.

Moreover, the expansion of the business strategy of Sustainable Regional Development (DRS) also deserves being highlighted. Up to 2008, 4.7 thousand business plans were implemented, involving 1.2 million families in 4.8 thousand Brazilian municipalities.

Outlook

In its 200th anniversary, BB strives to keep the tradition and pioneering that made the Company the country's most remembered bank.[1]. Among the most important strategies for the next year are:

- expansion of mortgage loans;
- expansion in the operations with the public sector and its servants;
- growth in the business with non-account holders by means of partnerships with large companies;
- enhancement of the relationship with account holders;
- advances in the customer base management tools;
- expansion of BB's presence and operations in the local and foreign markets;
- maintenance of the leadership in innovative self-service solutions; and
- consolidation of the Company's social and environmental commitment.

ECONOMIC-FINANCIAL PERFORMANCE

- Banco do Brasil recorded net income of R$ 9.7 billion in 2008, 21.2% higher than the one recorded in the previous year.
- Assets totaled R$ 488.2 billion, growth of 29.3% in 12 months.
- The result corresponds to a Return on Equity (ROE) of 25.9% in 12 months. Shareholders' equity totaled R$ 31.1 billion at the end of December 2008.

[1] According to the Top of Mind survey performed by Instituto DataFolha.

R$ million

Main Highlights			
Income	**2007**	**2008**	**□ 2007 (%)**
Net Income	7.984	9.675	21.2
Interest income, net	20,659	23,223	12.4
Non-interest expenses	19.096	19.548	2.4
Equity	**Dec/2007**	**Dec/2008**	**□ Dec/2007(%)**
Assets	377.597	488.181	29.3
Loan Operations	162,585	224,561	38.1
Borrowings	260,860	363,140	39.2
Assets under Management	220,135	246,334	11.9

Other Highlights
Customer base: 47.9 million;
Export and import foreign exchange: 28.0% and 24.6% of the market, respectively;
Capitalization: 23.2% of the market (collection);
Loans
• Total portfolio: R$ 224.6 billion;
• Payroll Loan: R$ 17.6 billion, 22.4% of the market;
• Agribusiness Credit: 59.8% of the National Farm Credit System;
• Business loan: R$ 95.2 billion;
Total funding: R$ 363.1 billion;
Revenue with debit cards: R$ 29.5 billion;
Internet and Mobile Banking: 9.3 million clients enabled;
Payment of civil servants: 5.2 million officials;
Payment of retirement and INSS' beneficiaries: 74.5 million;
Network of ATMs 39.7 thousand ATMs;
Own customer service network: 15,964 points of service

- Income from loan operations totaled R$ 32.6 billion, an increase of 29.0% in relation to the previous year, which was in line with the increase in the loan portfolio.
- Fee income, already impacted by the National Monetary Council resolutions that changed the collection of fees in the Brazilian Banking Industry, reached R$ 10.9 billion, an increase of 9.1% in relation to the year 2007.

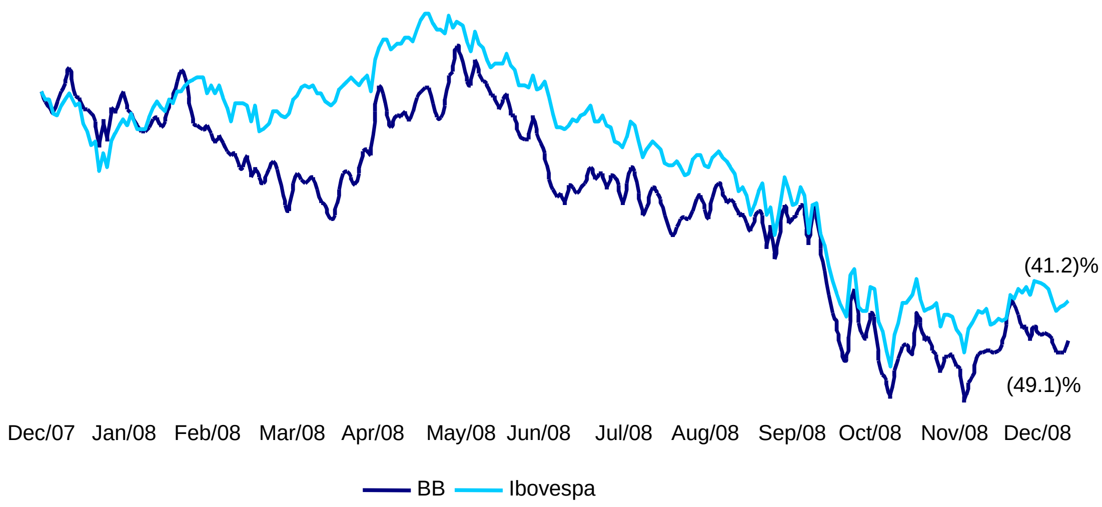
- Non-interest expenses, including personnel expenses, administrative expenses, among others, totaled R$ 19.5 billion, a growth of 2.4% in 12 months.
- Expenses with allowance for loan losses reached R$ 7.3 billion in the year, growth of 63.3% in 12 months, accounting for 3.8% of the average balance of loan operations in the period.
- BB's investments amounted to R$ 1.1 billion in the year, 66.8% above the figure in 2007. It is worth to highlight the investments of R$ 425.6 million in properties (constructions and reforms), equipment (R$ 131.9 million), and information technology (R$ 590.8 million).

See further information about the economic-financial performance of BB in the MD&A at BB's website (www.bb.com.br/ri).

SHARE PERFORMANCE

Banco do Brasil's shares (BBAS3) closed the year at R$ 14.68, a devaluation of 49.1% in 12 months. The performance reflects the instability in the world capital markets resulting from the crisis to which the financial system is submitted.

BB Shares vs. Ibovespa



BBAS3 was traded in all Bovespa's sessions, in the daily average volume of R$ 93.6 million in the year, as opposed to R$ 60.4 million in the previous year, and continued to be listed in the theoretical portfolios of the major São Paulo Stock Exchange indexes: Ibovespa, Ibrx50, Ibrx, IGC, ISE and Itag. At Ibovespa, it went from 13th place in the portfolio of September/December 2007 to 12th place in the current portfolio.

Owing to its shares' depreciation, BB's market capitalization decreased 49.9% and dropped to R$ 37.7 billion. Basic net income per share was R$ 3.80 in the year.

The amount of R$ 3.5 billion for the year were allocated as earnings to stockholders: R$ 2.0 billion as dividends and R$ 1.5 billion as interest on own capital. The amount distributed corresponds to 40% of the net income (payout), according to the Brazilian accounting rules (BRGAAP). In 2008, the net income determined according to the BRGAAP was R$ 8.8 billion.

The remaining 60% of the net income were used as legal and by-laws reserves and invested in business expansion.

BUSINESS PERFORMANCE

Customer Base

- 47.9 million customers and 30.3 million accounts (28.4 million individuals' accounts and 1.9 million businesses' accounts), increase of 10.5% in relation to the same period of previous year. From the non-account holders clients, 7.4 million are savings account clients, 2.5 million are beneficiaries of INSS (National Institute of Social Security) and 5.4 million consumers of other products and services.
- In the Retail market the expansion in the customer base of individual account holders was 10.3% in 12 months as a result of strategies of acquisition of payrolls associated to the development of customer retention strategies.

Service Network

- 16.0 thousand domestic points of service, the largest banking network in Brazil, and 9.0 thousand bank correspondents
- BB's own network abroad comprises 43 points of service in 23 countries. The complementary network comprises 1,266 banking correspondents in 142 countries.
- BB's clients counted on 39.7 thousand Automated Teller Machines and alternative channels, such as the Custome Service Center, BB Portal and Mobile Banking, besides Caixa Econômica Federal,

Banco do Nordeste do Brasil (BNB), Bradesco and Besc terminals shared with Banco do Brasil.

Electronic channels

- 91.1% of the transactions taken by Banco do Brasil customers during the year were through self-service channels, with the ATM network being responsible for 40.6% of such transactions.
- 9.3 million customers registered as internet banking and mobile banking, which account for 2.4 billion transactions. Internet banking transactions represented 33.5% of transactions performed.
- BB makes available the e-bidding (licitações-e) system, one of the main electronic purchasing systems used by the public sector. 55.1 thousand tender processes were carried out in 2008, totaling R$ 11.7 billion traded, up 31.3% in relation to 2007.

Loans

BB's loans reached R$ 224.6 billion, an increase of 38.1% in relation to the previous year.

R$ million

Loan Operations			
	2007	**2008**	**Δ (%)**
Brazil	**151,213**	**209,431**	**38.5**
Individuals	33,728	46,666	38.4
Businesses	66,371	95,238	43.5
Agribusiness	49,350	63,708	29.1
Leases	2,974	1,221	143.6
Public Sector	543	845	55.6
Abroad	**11,372**	**15,130**	**33.0**
Total	**162,585**	**224,561**	**38.1**

Domestic loan portfolio grew 38.5% in 12 months. Such growth was accompanied by an improvement in the quality of the loan portfolio. The ratio between the balance of provisions and total loan operations was 6.1% in the end of December, against 6.3% in the same period of previous year.

Recoveries of loans reached R$ 1.1 billion in 2008, keeping the same level presented in 2007.

Consumption

- The vehicle financing portfolio reached the amount of R$ 6.7 billion, which represented growth of 120.7% in relation to previous year. The strategy of partnerships through which financing is offered at one-brand and multi-brand car dealers accounted for 50.6% of the total contracted, and represented 45.3% of the total vehicle financing portfolio.
- Mortgage loans, with specific and own funds, reached R$ 80 million.
- The portfolio of payroll loans totaled R$ 17.6 billion in 2008, an increase of 48.4% (R$ 5.7 billion) in relation to 2007. The Bank disbursed R$ 16.1billion in the payroll loan category, corresponding to 3.4 million formally drawn up contracts in the period, reaching a market share of 19.8% in this market.
- Civil servants, main target niche of the Bank in the market payroll loans, accounted for 83.2% of the volume of the portfolio; INSS's retirees and pensioners accounted for 6.6% while workers from private enterprise accounted for 10.2%.
- The microcredit portfolio of Banco do Brasil reached R$ 511million at the end of the year, benefiting customers from the lower income audience. Disbursements in this form of loan totaled over R$ 624.0 million.

Working Capital and Receivables

- The balance of operations with working capital lines for micro and small enterprises reached R$ 23.6 billion, an increase of 39.5% as compared to 2007.
- Regarding operations with working capital lines for mid-size and large companies, and corporate clients, they attained R$ 21.6 billion, up 133.6% over 2007.

Financing of Investments

- The portfolio of investment financing operations for micro and small enterprises accumulated a balance of R$ 9.3 billion in 2008. Highlights of the period are Proger Urbano Empresaria, involving R$ 5.3 billion, growth of 30.2% in 12 months, and Finame Empresarial, which presented growth of 97.6% in relation to 2007 and a balance of R$ 889.5 million, and the BNDES Card, a product in which BB is the leader, with 63.0% of the cards issued.

- BB ended the year with a balance of R$ 9.9 billion in loans for investments to mid-size and large companies, and corporate clients, growth of 41.2% in relation to the previous year. The operations which deserve being highlighted are the ones involving on lending from BNDES and Finame, which attained a balance of R$ 6.2 billion, as opposed to the R$ 4.4 billion obtained in 2007.

Foreign Trade

In 2008, Banco do Brasil maintained its leadership in the export and import foreign exchange market, with shares of 28.0% and 24.6%, and volume of US$ 54.2 billion and US$ 34.4 billion, respectively, and in the *ranking* of financial agents in foreign trade operations of BNDES, with disbursements of US$ 1.7 billion in operations of BNDES-Exim.

The loan portfolio in this segment closed the year with a balance of R$ 17.2 billion, an increase of 44.6% in 12 months. Worth mentioning are the Advance on Foreign Exchange Contracts (ACC) and the Advances on Export Contracts (ACE), which attained contracted volume of US$ 13.0 billion.

In the Union's Export Financing Program (Proex), where the Bank is the exclusive financial agent of the Union, BB disbursed US$ 297.1 million in the Financing category, and US$ 160.0 million in the Equalization category, leveraging exports of US$ 335.0 billion.

With regard to electronic solutions, a record number of 174.9 thousand foreign exchange contracts were processed through the Internet with a financial volume of US$ 40.0 billion, and special mention of the Foreign Trade Counter which had 6 thousand exporters and 4 thousand importers enrolled in its records.

14.6 thousand businessmen were trained by means of the International Business program.

Agribusiness

BB has the largest Agribusiness Loan Portfolio in Brazil according to the *ranking* of the financial institutions comprising the domestic Rural Credit System.

Agribusiness portfolio, totalling R$ 63.7 billion, is composed of loans for financing costs (38.1% of the total), marketing (27.4%), and loans for investments (31.6%).

The Bank has mechanisms for mitigating risks from agriculture loan portfolio. During the 2008/2009 harvest, 68.9% of funding transactions, equal to R$ 16.7 billion, were entered into with Seguro Agrícola, Proagro, futures and options contracts, or under Programa de Garantia de Preços da Agricultura Familiar.

As the main financier of Agribusiness in Brazil, BB is also responsible for carrying out the government programs for this segment. The resources made available are funded by savings and demand deposits, Worker's Support Fund (FAT), the Constitutional Fund for Developing the Middle-west (FCO), BNDES/Finame, and others.

Funding and Services

Borrowings

- R$ 363.1 obtained among deposits from clients, interbank deposits, and obligations related to committed operations. This amount represents an increase of 39.2% in relation to 2007. Growth in funding reflects the trend known as "flight to quality." Due to the insecurity that the global crisis brought about in the Brazilian financial system, Banco do Brasil was considered as a "safe harbor" for investors, which caused a migration of funds to the Bank.

R$ million

Borrowings			
	2007	**2008**	**Δ (%)**
Deposits from clients	183,494	257,677	40.4
Interbank deposits	5,139	14,061	173.6
Repurchase agreements	72,227	91,402	26.5
Total	**260,860**	**363,140**	**39.2**

Among funding instruments, it is worth highlighting in the period:

- R$ 73.7 billion funded as Time Deposits at an average cost of 97.5% of the inter-bank rate (CDI).
- Funding abroad amounted to US$ 600 million, an increase of 220.9% in relation to 2007.

Funding management and government programs

- As the main agent for the Constitutional Fund for the Central-West's Development (FCO), BB loaned out R$ 3.5 billion in 2008, which created/preserved 164 thousand direct and 294 thousand indirect work posts.
- 2.1 million in operation with Fund for Worker Assistance (FAT) deposits, totaling R$ 6.8 billion.
- The equity of the Fund Guarantor of the PPPs - Public-Private Partnerships, managed by BB, closed the year at the amount of R$ 3.8 billion.
- 41 agreements involving 266.5 thousand civil servants and R$ 8.9 billion in assets, to provide social security services and investment fund management on behalf of Corporate Social Security Systems.

Cards

- The card business added R$ 3.6 billion to the Bank, from equity in the earnings (loss) of subsidiary and associated companies and revenues from services and financing, an increase of 54.5% as compared to 2007.
- 76.6 million cards, an increase of 13.6% in comparison to 2007. The credit card base grew by 18.7% in 12 months, reaching 23.9 million units, and the debit card base grew by 11.5%, reaching 52.7 million units.
- Offering services such as account payments, credit for rural producers, foreign trade and micro and small companies, credit card billings rose to R$ 9.7 billion in 2008, a 27.0% increase over 2007; and debit card billings topped R$ 9.1 billion, a 36.2% growth as compared to the previous year.

Purchasing Pools

- BB Consórcios (BB Purchasing Pools) closed the year as the second largest market administrator in the automobile segment, with 73.4 thousand active participants, and 130.9 thousand purchase pool members considering all segments.
- BB Consórcios has been marketing real estate purchasing pools since last June: 4.2 thousand real estate consortium quotas, R$ 378 million in letters of credit.

Services

- In tax collection, BB accounts for 23.2% of all taxes collected at federal level and 32.0% at state level, corresponding to R$ 147.7 billion and R$ 87.5 billion, respectively In the same period, R$ 8.9 billion were collected in the municipal level.
- Processing of 46.9 thousand payrolls, considering legal entities and public sector. BB served a total of 9.6 million public officers and employees from private enterprises with this service, and kept the leadership in this market segment.
- Centralized Return of Individual Income Tax, with the processing of 5.0 million in taxpayer credits totaling R$ 4.9 billion.
- Leadership in the number of pensioners and beneficiaries of INSS' payments with 74.5 million payments, amounting R$ 42.1 billion.
- Processing of 4.8 bank transfer orders from the National Treasury involving R$ 284 billion, and paying out of federal revenue collections equal to R$ 254.7 billion.

Insurance, Private Pension Fund, and Capitalization

Banco do Brasil, through BB Banco de Investimentos, a wholly-owned subsidiary, maintains interest in companies in the areas of insurance, pension plans and capitalization, which enables it to offer its clients a broad range of non-banking products.

In the light of the USGAAP, only Aliança Brasil comprises the consolidated financial statements of Banco do Brasil. After the eliminations regarding intragroup transactions, Aliança's businesses contributed with R$ 455 million to the Bank's result in 2008.

The balance of the interest in other unconsolidated subsidiaries are detailed in the table below:

R$ million

Company	Interest Income
Brasilcap Capitalização S.A.	82
Brasilprev Seguros e Previdência S.A.	80
Brasilsaúde Companhia de Seguros	3
Brasilveículos S.A.	125

Highlights of the period:

- With a total of 2.1 million insured people, Aliança do Brasil collected R$ 1.5 billion in premiums, 13.3% above the performance for 2007;
- Brasilveículos recorded R$ 1.0 billion in retained premiums, growth of 17.6% in relation to previous year;
- Growth of 25.4% in premiums issued by Brasilsaúde, which totaled R$ 164.9 million, for a portfolio of 127 thousand persons insured;
- Revenues of R$ 3.8 billion by Brasilprev, 19.6% higher than 2007. This volume, together with the lower rate of redemptions in the market (8.5%), allowed Brasilprev to exceed the figure of R$ 20.4 billion in assets under management;
- With revenues of R$ 2.0 billion, Brasilcap maintained its leadership in technical reserves (a 22.5% share) and revenues (23.2% of the market), distributing R$ 68.1million in prizes on 41.1thousand certificates;

Asset Management

BB DTVM ended 2008 with R$ 246.3 billion in assets under its management, growth of 11.9% in the year, and market share of 20.7%, according to the National Association of Investment Banks (ANBID).

In addition to the managed funds taken into account for Anbid ranking purposes, which confirms its role as the country's largest asset manager, this subsidiary manages R$ 55.9 billion for other investment funds. Hence BB DTVM ended 2008 with the management of R$ 302.2 billion in assets under management, a 15.0% rise during the year.

Capital Market and Treasury

Banco do Brasil operates in the domestic capital market through BB Banco de Investimento S.A. (BB-BI). In Brazilian shares custody market, BB is in the 2nd place in Anbid's ranking, with a 24.0% market share.

BB provides share purchase and sale services throughout its branch network, the Internet (home broker), and cell phones, which resulted in a volume of R$ 14.4 billion.

In 2008, BB-BI participated in 15 fixed-income transactions with a volume of R$ 3.9 billion, and in 3 variable-income transactions. It acted as Leading Coordinator in the Share Public Offering by Copasa, totaling R$ 460 million, and as Coordinator in the Share Public Offering by Vale totaling R$ 19.4 billion. It occupies 4th place in the Anbid variable income ranking with the sum of R$ 3.9 billion in 2008.

In the international capital market, BB, by means of an external brokerage house, BB Securities Ltd, led 2 issues, totaling US$ 180 million, besides acting as co-manager in the issue held by the Federal Treasury in the amount of US$ 525 million and in the operation of BNDES as well, in the amount of US$ 1billion.

In 2008 the business volume in the secondary market rose to R$ 4.4 billion and signaled the start of coverage of investors in the Middle East, in addition to markets in Europe and Asia.

CORPORATE GOVERNANCE

BB's management bodies are the Board of Directors, advised by the Audit Committee and Internal Audit, and the Executive Board, made up of the Board of Officers (president and nine vice-presidents) and by 27 statutory directors. The Bank also has a permanent Fiscal Council.

Decisions are taken collectively at all levels of the Company. With the purpose of involving all the executives in the definition of strategies and approval of proposals for BB's different businesses, the Management uses committees, subcommittees and commissions at a strategic level, which ensure the agility and security for the decision taking.

Banco do Brasil, which has been in the "Novo Mercado" of Bovespa since May 2006, is committed to the transparency, accountability, equity and social and environmental responsibility, by aligning the organization's management to the shareholders' and the society's interests.

To this effect, among other commitments the Bank, its Shareholders, the Officers, and the members of the Audit Committee are comitted to resolve all and any disputes or controversies in connection with the Novo Mercado Trading Regulations through the Bovespa Market Arbitration Chamber, pursuant to the specific clause in the Banco do Brasil by laws.

Relations with the Market

The Bank held 17 meetings with analysts from the capital market at the Apimec regional offices during the year. Furthermore, other 63 meetings were held with domestic investors and analysts, 236 conference calls with analysts and investors, as well as 6 *road shows*, and other 12 conference calls presenting results were performed.

In 2008, in addition to result conference calls, Banco do Brasil held conference calls in order to explain and to inform its shareholders, analysts, and the market on the specific moments that the Company had undergone, such as the effects of the global crisis on business, and the acquisitions and mergers with other financial institutions (BESC, BEP, and Nossa Caixa) carried out by BB.

Shareholders and analysts count on updated information in the Investor Relations website (*bb.com.br/ri*).

Highlights of the year

The table below highlights several events that occurred in BB's business throughout the year of 2008:

Jan	- Completion of the Secondary Public Offer of Shares of BB. It was the public offering with the greatest allocation of papers to the Retail segment ever made in the Brazilian market.
Feb	- Authorization from the Central Bank of Brazil to establish a bank retail operation in the United States by means of the incorporation of a remittance company, a retail bank and a service center. The enterprises are pending approval by the North American regulatory agencies. - Approval by the Central Bank of Brazil of the capital increase of R$ 500 million deriving from the advance of the exercise of the "C" Subscription Bonds, performed in the previous year. With these measures, Banco do Brasil's free float attained 21.7%.

Mar	- Approval by the National Monetary Council (CMN) of a resolution allowing financial institutions fund obtainers of rural savings deposits, including Banco do Brasil, to obtain funds up to 10% of the total balance of savings deposits within the sphere of the Brazilian Savings and Loans System (SBPE), whose funds are directed to mortgage loans. - Grant of shares of Visa Inc. to Banco do Brasil, to Visanet and to Visavale, as part of the global restructuring of Visa International. In the same month, in the public offering of Visa Inc.'s shares, the abovementioned companies put up for sale 56.1% of their shares. - Financial statements under BRGAAP started to proportionately consolidate its holdings in 12 companies, increasing BB's assets in approximately R$ 12 billion.
Apr	- Upgrading of the rating of Banco do Brasil to investment grade (BBB-) by the rating agency Standard & Poor's.
May	- Creation of the Lower Income Segment Department, aiming at extending the strategic focus on customers with earnings up to the minimum wage, which corresponds to approximately 8.3 million BB's account holders, 1.4 million Banco Popular do Brasil 's account holders and 15 million non-account holder customers that maintain some kind of relationship with BB. The new department absorbed the operations of Banco Popular do Brasil, centralized the administration of the Bank Correspondents and the actions relating to Sustainable Regional Development. - BB proposed to, and the State Government of São Paulo accepted, starting dealings without any binding effect, aiming at the takeover of Banco Nossa Caixa S.A.
Jun	- Bacen granted authorization for Banco do Brasil to operate in mortgage loans with savings deposits, in compliance with the rules of the National Housing System (SFH).
Jul	- BB entered into an agreement with FirstRand Limited for the organization of a full-service bank with portfolios of loans, financing and investment; to operate in the Brazilian market of financing and leasing of vehicles.
Aug	- Acquisition by BB-BI of shares held by Aliança da Bahia in Aliança do Brasil totaling R$ 670 million, with the purpose of intensifying Banco do Brasil's activity in life insurance and the elementary branches.

Sep	- Signature of the Besc and Bescri Merger Protocol. BB issued 23,074,306 common shares, equal to the R$ 685 million in the business value of Besc / Bescri.
Nov	- Signature of the BEP Merger Protocol. BB issued 2,930,649 common shares, equal to the R$ 81.7 million in the business value of BEP. - Formalizing the Memorandum of Understanding for acquisition of the equity control of Banco Nossa Caixa, through the purchase of 76,262,912 common shares, corresponding to R$ 5.4 billion, owned by the State of São Paulo, equal to 71.25% of total equity and voting capital.
Dec	- Cancel with no cost to the parties of an agreement entered into between BB and FirstRand Limited for the creation of a full-service bank to do business in the Brazilian market for automobile loans and leasing.

INTERNAL PROCEDURES

Risk Management

The world economic crisis affected moderately Banco do Brasil's activities and profit figures. The scarce appetite for risk and the solid governance of risk management, devised in the light of best practices, rendered restrict the impact on the Bank's performance arising from the crisis.

From the market risk viewpoint, the conservative guideline is reflected in the investment of a major portion of financial assets in public bonds. In addition, exposure to currency fluctuations is minimal and trading with the bank's cash position in the derivatives market is negligible. The allocation of capital in the risk market according to Banco Central do Brasil's rules was equal to less than 0.5% of its total capital and reflects the low market risk to which the Bank is exposed.

With regard to liquidity risks, in June 2008 Banco do Brasil adopted a conservative attitude and developed efforts to recover liquidity. This action's outcome, added to the "safe haven" perception in the domestic as well as in the international markets, created surplus cash in the region of R$ 40 billion.

Banco do Brasil uses its own methodologies to rate customer credit risks, based on the Expected Rate of Default - FEI. Developed concurrently with best market practices and the concepts introduced by Basel II, these statistical models are deemed to be avant-garde for credit risk analysis, in addition to weighing customer past performance (credit score), their credit performance (behavior score) in internal and external sources, considering the use of bank services such as loan transactions and bank accounts.

The credit methodologies developed and implemented in the Bank include customer risk analysis in every corporate and individual customer segment, in addition to financial institutions and countries. These methodologies have permitted the improvement of the credit process, by virtue of a more precise assessment of customer risk profile and contributes to the increase of credit with quality and security.

Banco do Brasil's credit portfolio reflects a default level lower than that of the National Financial System over the last 33 months. The Bank's provisioning level is in line with its key competitors, while its coverage ratio, the relation between provision and late payments, is well above that of other banks.

Collegiate risk management is performed completely apart from the business units. Risk and concentration policies are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by vice-presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market, Liquidity and Operations), which are groups formed by Directors.

To find out more on Banco do Brasil's risk management policies, go to bb.com.br/ri.

Basel II

The tables below show the risks and economic capital requirement determined according to the Brazilian legal provisions regarding Basel II and BRGAAP accounting information. Data are presented in the “Financial Consolidation” view, that brings the proportionate consolidation of all the financial companies of the Group, and in the “Economic-Financial Consolidation” view, that consolidates proportionally all the companies in which Banco do Brasil has direct or indirect interests.

R$ million

	BIS Ratio I		**BIS Ratio II**	
	1S08		**2S08**	
Risks	**Financial Consolidated**	**Financial Economic Consolidated**	**Financial Consolidated**	**Financial Economic Consolidated**
Crédit	27,611	28,369	30,674	30,980
Market	866	866	119	119
Operation	-	-	401	401
TOTAL	**28,477**	**29,235**	**31,194**	**31,500**

R$ million

Economic Capital	**1S08**	**2S08**
Credit Risk Requirement	4,434	4,809
Market Risk Requirement (*)	752	414
Operating Risk Requirement (**)	1,147	539
TOTAL	**6,333**	**5,762**

(*) *Trading book.* Up 4Q08 includes commodities and currency

(**) Calculated by the bootstrap methodology

Banco do Brasil works towards the adjustment of its processes to Basel II, with the ultimate purpose of adopting the advanced approach for allocation of capital.

Internal Controls

In the course of 2008 and under the Compliance Program, an action plan was implemented focused on operating risk management and compliance, structured in accordance with the COSO guidelines - Committee of Sponsoring Organizations of the Treadway Commission and those of COBIT - Control Objectives for Information and Related Technology, concerning the requirements by regulating and inspection bodies in Brazil and Overseas.

Control and monitoring actions including segregated evaluations for the mitigation of risks with the Strategic Units that managed the business and operating processes, and with the domestic branch network were intensified. The action with the Group’s Companies was carried out by means of the structure of corporate governance of the respective companies in compliance with the legislation in force.

The automated control solutions are incorporated into the operational routine of all the Bank's processes, enabling the performance of tests, the electronic monitoring, the production of evidence and the communication of weak points that require mitigation actions and continuous improvement of the Bank's products.

Banco do Brasil unified domestic and international treasuries. This new organizational and process configuration allows a better Bank financial management and renders greater security to operations and improved customer service. With global solutions, treasury acts in the national and foreign markets, serving clients from the Bank and from the Group itself.

Prevention and Avoidance of Money Laundering

For Banco do Brasil, preventing and fighting against money laundering is a legal obligation and a commitment to the Country. The training of employees and the mechanisms intended to avoid the use of products and services of the Bank for money laundering, and to monitor and detect signs, are subject to constant improvement.

BB's training programs were certified with the ENCCLA (National strategy against money laundering and corruption). This seal is a certification granted by the Ministry of Justice to courses on combating money laundering and financing terrorism, the contents of which should meet the requisites as defined in Programa Nacional de Capacitação e Treinamento para o Combate à Lavagem de Dinheiro (National training program against money laundering).

In 2008 the Bank attended the meetings for the preparation of Estratégia Nacional de Combate à Corrupção e à Lavagem de Dinheiro - ENCCLA (National strategy against money laundering and corruption), and supported Reunião Plenária do Grupo de Ação Financeira sobre Lavagem de Dinheiro e Financiamento do Terrorismo - GAFI (against money laundering and financing of terrorism).

PEOPLE

BB closed the semester with 89.4 thousand employees, 9.2% higher than the same period of previous year. It is important to note that this number includes Besc and BEP employees.

	Dec/07	Dec/08
Employees	81,855	89,369
Temporary labor [1]	8,866	2,430

[1] *Hired from companies specialized in providing temporary labor*

For further information, please see the Sustainability Report, available at www.bb.com.br/ri.

SUSTAINABILITY

For Banco do Brasil, socioenvironmental responsibility is “having ethics as a commitment and respect as an attitude, in its relationships with staff, collaborators, suppliers, partners, customers, creditors, shareholders, competitors, community, government and environment.”

Banco do Brasil plans to achieve economic, social, and environmental sustainability in its actions by means of social and environmental responsibility , contributing to our country's and the world's sustainable development.

For further information on the Bank's practices, please see the Sustainability Report, avaliable at www.bb.com.br/ri.

What guides us

BB's mission statement is "To be the solution in financial services and intermediation, to meet the clients' and shareholders' expectations, to strengthen the commitment between employees and the Company, and to contribute for the development of the Country."

To comply with this mission, BB makes clear the concept of sustainability in the administrative and business practices of Banco do Brasil, in the public commitments assumed, and in the Company's relations with its target audiences.

Main commitments relating to sustainability

MAIN AWARDS IN THE YEAR

- Most Shareholder Friendly Company in the category of financial institutions, of Institutional Investor magazine.
- Annual Report 2006 of Banco do Brasil was appointed the second best report in the world, in the bank category, in an award ceremony organized by Global Reporting Initiative (GRI).

- e-finance 2008 award in the "Cards - Business" category to Ourocard Agronegócio and to Ourocard Empresarial with Working Capital.
- *e-finance 2008 award in the "Core Systems - Best Application for Credit" category to BB Crédito Parcerias.*
- *e-finance 2008 award in the Special Self-Service -"Unassisted ATM Installation" category.*
- *E-finance award 2008, in the "Call Center - Infrastructure Integration Solution" category".*
- *E-finance ·award 2008, in the "Special Bank Correspondent" category.*
- *B2B Magazine award 2008 in the "Mobility (banks)" category.*
- *B2B Magazine award 2008 in the "Mobility (banks)" category.*
- *Banking Report Award 2008, in the "best mobile banking service" category.*
- *Bank Report award 2008, in the "Best Mobile Banking Service" category.*
- *Mobile Payment - one of the ten best Brazilian innovations of the last decade, in a survey held by Exame magazine and by Monitor consultants.*
- National Award for Public Management - PQGF - Cycle 2007, the Agribusiness and Credit directors' offices received bronze and silver medals, respectively, in the categories of public companies and mixed private-state-owned companies.
- Aliança do Brasil - Best insurance company in the country in life insurance awarded by Conjuntura Econômica magazine.
- Outstanding in Foreign Trade award, in the Support to Exports - Excellence in Foreign Trade category. Recognition provided by Associação de Comércio Exterior do Brasil (AEB).
- "Best Practices in Corporate Education" award, in the institutional class for the project "Management per Competencies in Banco do Brasil: from mapping to certification of professional competencies," by the Ministry of Development, Industry and Commerce.

ACKNOWLEDGMENTS

We thank the dedication and diligence of our employees and associates, who are Banco do Brasil's greatest treasury, as well as the trust of our clients, which are the reason for the existence of our company.

Further information: Investor Relations Website (www.bb.com.br/ri)

Banco do Brasil S.A.

Consolidated Balance Sheet

Expressed in millions of Reais, unless otherwise indicated

	December 31	
Assets	**2008**	**2007**
Cash and bank deposits	5,373	4,329
Restricted cash	12,446	12,742
Interbank deposits	32,697	27,315
Money market repurchase agreements	95,152	43,405
Trading assets, at fair value	20,459	19,712
Securities available for sale, at fair value	38,205	38,064
Securities held to maturity	15,907	16,830
Loan operations	224,561	162,585
Allowance for loan losses	(13,709)	(10,202)
Investments in unconsolidated entities	1,827	2,060
Fixed assets for use, net	4,113	3,772
Goodwill	617	35
Other intangible assets	4,256	2,522
Other assets	46,277	54,428
Total assets	**488,181**	**377,597**
Liabilities and shareholders' equity		
Deposits of clients	257,677	183,494
Interbank deposits	14,061	5,139
Obligations related to Committed Operations	91,402	72,227
Short-term liabilities	6,245	1,134
Long-term liabilities	31,923	24,072
Other liabilities	55,801	47,756
Total liabilities	**457,109**	**333,822**
Shareholders' equity		
Common shares - with no par value (authorized and issued on December 31, 2008 - 2,568,186,485 and on December 31, 2007 - 2,475,949,269)	13,780	13,212
Additional capital	16	16
Treasury stock	(31)	-
Profit reserves	17,427	12,145
Accumulated other comprehensive income	(2,965)	16,430
Unallocated retained earnings (accumulated deficit)	2,845	1,972
Shareholders' equity	**31,072**	**43,775**
Total liabilities and shareholders' equity	**488.181**	**377,597**

See the accompanying notes to the financial statements.

Banco do Brasil S.A.

Consolidated Statement of Income for the Year

Expressed in millions of Reais, unless otherwise indicated

	Year ended December 31	
	2008	2007
Interest income		
Interbank deposits	5,130	171
Money market repurchase agreements	7,220	4,278
Trading securities	2,218	1,024
Securities available for sale	4,775	4,613
Securities held to maturity	2,033	2,327
Loans	32,643	25,314
Other interest income	1,205	1,055
Total interest income	**55,224**	**38,782**
Interest expenses		
Deposits of clients	(14,491)	(9,339)
Interbank deposits	(396)	(865)
Obligations related to Committed Operations	(8,969)	(7,824)
Short-term liabilities	(5,257)	1,621
Long-term liabilities	(2,449)	(1,378)
Other interest expenses	(439)	(338)
Total interest expenses	**(32,001)**	**(18,123)**
Interest income, net	**23,223**	**20,659**
Expense with allowance for loan losses	(7,286)	(4,462)
Interest income, net after allowance for loan losses	**15,937**	**16,197**
Non-interest income		
Sale of services	10,875	9,968
Gains (Losses) on trading assets	(1,496)	1,160
Gains on securities available for sale	14	59
Net earnings in unconsolidated entities	755	797
Insurance Premiums	1,052	-
Net gains in foreign exchange operations	368	299
Other non-interest income	3,155	1,781
Total non-interest income	**14,723**	**14,064**
Non-interest expenses		
Salaries and vacation pay	(3,313)	(6,348)
Administrative expenses	(6,436)	(6,035)
Insurance claims and variation of insurance provisions	(331)	-
Amortization of other intangible assets	(1,195)	(448)
Depreciation	(898)	(866)
Other non-interest expenses	(7,375)	(5,399)
Total non-interest expenses	**(19,548)**	**(19,096)**
Income before taxation on profit	**11,112**	**11,165**
Income tax and social contribution	**(1,437)**	**(3,181)**
Current	(2,552)	(2,909)
Deferred	1,115	(272)
Net income	**9,675**	**7,984**
Basic earnings per share (in reais)	3,80	3,22
Diluted earnings per share (in reais)	3,75	3,12
Weighted average of shares in the market (basic)(1)	2,548,098,464	2,475,949,269
Weighted average of shares in the market (diluted)(1)	2,577,649,367	2,560,597,869

(1) Quantities adjusted to reflect the share split of 1:3 that occurred in June/07.

See the accompanying notes to the financial statements.

Banco do Brasil S.A.

Consolidated Statement of Comprehensive Income

Expressed in millions of Reais, unless otherwise indicated

	Year ended December 31	
	2008	**2007**
Net income presented in the Statement of Income	**9,675**	**7,984**
Other comprehensive income (loss)		
Unrealized gains (losses) on securities available for sale	662	(521)
Adjustment of reclassification of (gains) losses on securities available for sale realized in the year	(14)	(59)
Unrealized gains (losses) on post-retirement benefit plans	(31,254)	11,208
Adjustment of reclassification of gains on post-retirement benefit plans realized in the year	(2,218)	(1,201)
Other comprehensive income (losses) before taxation on profit	**(32,824)**	**9,427**
Income and social contribution taxes relating to other unrealized income (losses)	13,429	(3,337)
Other comprehensive income (losses), net of income tax and of contribution taxes	**(19,395)**	**6,090**
Comprehensive income for the year	**(9,720)**	**14,074**

The table below presents the accumulated balance of other comprehensive income, net of income and social contribution taxes.

	Year ended December 31	
	2008	**2007**
Opening balance	**16,430**	**10,340**
Unrealized gains (losses) on securities available for sale, net of taxes	688	(514)
Unrealized gains (losses) on post-retirement benefit plans, net of taxes	(20,083)	6,604
Closing balance	**(2,965)**	**16,430**

See the accompanying notes to financial statements.

Banco do Brasil S.A.

Consolidated Statement of Changes in Shareholders' Equity

Expressed in millions of Reais, unless otherwise indicated

Change	Capital	Additional capital	Treasury shares	Capital reserves	Profit reserves	Other comprehensive income accumulated	Retained earnings	Total
Balances at December 31, 2006	**11,913**	**76**	**-**	**356**	**9,551**	**10,340**	**(1,014)**	**31,222**
Capital increase with reserves	798	-	-	(356)	(442)	-	-	**-**
Capital increase by the exercise of subscription bonuses	501	(60)	-	-	-	-	60	**501**
Adjustments to market value of securities, net of taxes	-	-	-	-	-	(514)	-	**(514)**
Adjustment of the actuarial liabilities/assets of post-retirement benefit plan	-	-	-	-	-	6,604	-	**6,604**
Other	-	-	-	-	-	-	1	**1**
Net income for the year	-	-	-	-	-	-	7,984	**7,984**
Constitution of reserves	-	-	-	-	3,491	-	(3,491)	**-**
Interest on own capital and dividends	-	-	-	-	(455)	-	(1,568)	**(2,023)**
Balance at December 31, 2007	**13,212**	**16**	**-**	**-**	**12,145**	**16,430**	**1,972**	**43,775**
Capital increase	568	-	-	-	-	-	-	**568**
Acquisition of treasury stock	-	-	(31)	-	-	-	-	**(31)**
Adjustments to market value of securities, net of taxes	-	-	-	-	-	688	-	**688**
Adjustment of the actuarial liabilities/assets of post-retirement benefit plan	-	-	-	-	-	(20,083)	-	**(20,083)**
Other	-	-	-	-	-	-	1	**1**
Net income for the year	-	-	-	-	-	-	9,675	**9,675**
Constitution of reserves	-	-	-	-	6,193	-	(6,193)	**-**
Interest on own capital and dividends	-	-	-	-	(911)	-	(2,610)	**(3,521)**
Balance at December 31, 2008	**13,780**	**16**	**(31)**	**-**	**17,427**	**(2,965)**	**2,845**	**31,072**

See the accompanying notes to the financial statements.

Banco do Brasil S.A.

Consolidated Statement of Changes in Shareholders' Equity

Expressed in units of shares

	Number of Common Shares	
	Shares issued [(1)]	Treasury Stock [(1)]
Balance at 31 December, 2006	**2,475,949,269**	**-**
Balance at 31 December, 2007	**2,475,949,269**	**-**
Capital increase	92,237,216	-
Purchase of treasury stock	-	1,150,365
Balance at 31 December, 2008	**2,568,186,485**	**1,150,365**

(1) Quantities adjusted to reflect the share plit of 1:3 that occurred in June/2007.

Banco do Brasil S.A.

Consolidated Cash Flow Statement

Expressed in millions of Reais, unless otherwise indicated

	December 31	
	2008	**2007**
Operating activities		
Net income	9,675	7,984
Allowance for loan losses	7,286	4,462
Gains (losses) on disposal of non-operating assets	(14)	3
Allowance for nonoperating assets	-	7
Allowance for unconsolidated investments	2	2
Allowance for insurance	80	-
Depreciation and amortization	898	866
Amortization and losses on intangible assets	594	448
Expenses with civil, labor and tax provisions	2,452	1,031
Net gains in unconsolidated entities	(755)	(797)
Gains in the sale of unconsolidated investments	(36)	(166)
Dividends and interest on own capital received	839	423
Gains (losses) with translation of investments abroad	(324)	277
Net variation of assets interest	(6,879)	2,427
Net variation of liabilities interest	4,586	1,924
Deferred taxes	(1,116)	273
Non-interest gains on securities available for sale	(14)	(59)
Gains in the sale of property, plant and equipment and capital losses	(59)	(12)
Changes in assets and liabilities:		
a. Increase in trading assets	(425)	(11,234)
b. Increase in other assets	(9,416)	(9,607)
c. Increase in other liabilities	4,953	5,386
Net cash from operating activities	**12,327**	**3,638**
Investing activities		
Increase in Interbank deposits	(13,179)	(172)
(Increase) decrease in money market repurchase agreements	23,166	(21,704)
Sale of securities available for sale	21,647	3,751
Redemption of securities held to maturity	1,260	5,435
Purchase of securities available for sale	(21,866)	(4,637)
Purchase of securities held to maturity	(581)	(106)
Net increase in loan operations	(58,574)	(29,412)
Purchase of property, plant and equipment	(1,273)	(782)
Sale of property, plant and equipment	94	58
Sale of nonoperating assets	46	42
Acquisition of intangible assets	(2,909)	(2,261)
Purchase of unconsolidated companies	(11)	(61)
Sale of unconsolidated companies	27	182
Net cash from investing activities	**(52,153)**	**(49,667)**
Financing activities		
Increase in deposits from clients	69,246	27,450
Increase Interbank deposits	8,933	244
Increase in repurchase agreements	19,469	22,603
Increase (decrease) in short-term borrowings	5,111	(115)
Acquisition of long-term obligations	10,861	7,723
Settlement of long-term obligations	(2,965)	(6,797)
Dividends or interest on own capital paid	(2,825)	(2,394)
Capital increase	568	501
Acquisition of treasury stock	(31)	-
Net cash from investing activities	**108,367**	**49,215**
Net increase (decrease) in cash and cash equivalents	**68,541**	**3,186**
Cash and cash equivalents at the beginning of the year (1)	51,184	47,998
Cash and cash equivalents at the end of the year (1)	119,725	51,184
Supplements		
Cash paid on interest	27,415	16,199
Cash paid on taxes	2,717	2,535
Borrowings transferred to nonoperating assets	34	20
Declared and unpaid dividends	1,202	506
Issuance of shares for acquisition of BESC (2)	228	-
Issuance of shares for acquisition of BESCRI (2)	259	-
Issuance of shares for acquisition of BEP (2)	81	-

(1) See Footnote 2
(2) See Footnote 1

See the accompanying notes to the financial statements.

1. Financial Statements, Corporate Organization, Business Description, Basis of Presentation and Mergers and Acquisitions.

a) Presentation of the Financial Statements

The Financial Statements were prepared according to the generally accepted accounting principles of The United States of America (US GAAP). The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America *(US GAAP)* for adhesion to the New Market segment of Bolsa de Valores de Mercado - Bovespa. Accordingly, shareholders' equity and income/expenses for the year in these financial statements differ, in certain aspects, from the statutory accounting records, prepared according to accounting practices adopted in Brazil.

The authorization for conclusion of these financial statements were given by the Board on May 06, 2009.

b) Corporate Organization

Banco do Brasil S.A. (“BB”, “Bank”, “Banco do Brasil” or “we”) is a mixed-capital public corporation, organized in accordance with the laws of the Federative Republic of Brazil. It is controlled by the Federal Government and its head office is located in the city of Brasília, Distrito Federal (Federal District), Brazil. Banco do Brasil is a public stock corporation controlled by Secretaria do Tesouro Nacional and its part of the New Market for the São Paulo Stock Exchange (Novo Mercado – Bovespa).

c) Business Description

Banco do Brasil, which is a bank that operates in eleven business segments, is set up in accordance with Brazilian banking regulations. The most significant segment for the Bank is the banking segment, which includes the offering, in Brazil, through its network of branches, automated teller machines and banking correspondents, of an extensive line of financial products and services to an ample base of individual and corporate clients. Outside Brazil, the Bank performs the offering of funding through its branches and subsidiaries, in US dollars and other foreign currencies, and Brazilian export and import financing operations, particularly to clients related to Brazil. The investment segment is related to equity interests in the sectors of insurance, pension, capitalization and means of payment, and to specialized business in the capital market. The tourism segment essentially involves travel agency services and the sale of vacation tour packages. The Lease segment is related to lease operations of fixed assets in general and vehicles. The Technology segment involves the sale of hardware and software products and services as well as document printing services, microfilming and other services. Other segments are not individually significant, in accordance with the quantitative limits of SFAS 131 - Disclosure about Segments of an Entity and Related Information.

The banking products and services offered in the local market, include several types of funding, such as demand deposits, savings deposits and time deposits, as well as a diversified line of financial assistance to the retail, commercial, agricultural business and to foreign trade sectors. Loans aimed at the retail sector are intended for individuals and for micro and small legal entities, with an emphasis on direct consumer finance, overdraft account (called special accounts in Brazil), credit card transactions and working capital financing. Lower-income population and micro entrepreneurs, not usually served by the traditional banking system, represent a specific business segment, which is assisted by means of micro loans without the need of proof of income. Commercial sector loan are mainly aimed at mid-size and large companies and corporate clients, with an emphasis on operations involving receivables, secured accounts and working capital loans. Loans to the agribusiness sector involves the financing of production and marketing costs of agricultural products, and of rural investments. Support to the foreign trade sector is performed essentially through the granting of advances on foreign exchange contracts and import financing.

d) Presentation Basis

The consolidated financial statements include the accounts of Banco do Brasil (parent company) and the accounts of the companies in which the Bank has direct or indirect majority interest in Brazil and abroad. The significant balances of all the accounts and transactions between the consolidated companies were eliminated. Unless otherwise indicated, all the companies are consolidated as of December 31, 2008 and 2007. The table below presents the companies included in the consolidated financial statements, grouped, as determined by Management, in accordance with their segments of activity:

Expressed in millions of Reais, unless otherwise indicated

Companies	Country in which it is setup	Percentage of the voting capital at December 31, 2008	Percentage of the voting capital at December 31, 2007
Banking [1]			
BB Assunção e Cidade de Leste [2]	Paraguay	100%	100%
BB Buenos Aires	Argentina	100%	100%
BB Frankfurt	Germany	100%	100%
BB Grand Cayman	Cayman Islands	100%	100%
BB La Paz	Bolivia	100%	100%
BB Lisboa	Portugal	100%	100%
BB London	England	100%	100%
BB Madrid	Spain	100%	100%
BB Miami	United States	100%	100%
BB Milan	Italy	100%	100%
BB Montevideo	Uruguay	100%	100%
BB New York	United States	100%	100%
BB Paris	France	100%	100%
BB Santiago	Chile	100%	100%
BB Tokyo	Japan	100%	100%
Banco Popular do Brasil S.A. (“Banco Popular”)	Brazil	100%	100%
BESC Financeira S.A. – Crédito, Financiamento e Investimento [5]	Brazil	99.58%	-
Dollar Diversified Payment Rights Finance Company [3]	Cayman Islands	-	-
Investment			
BB Banco de Investimento S.A.	Brazil	100%	100%
Tourism			
BB TUR Viagens e Turismo Ltda. (“BBTUR”) [7]	Brazil	100%	100%
Leasing			
BB Leasing S.A. – Arrendamento Mercantil	Brazil	100%	100%
BESC Leasing S.A. – Arrendamento Mercantil [5]	Brazil	99%	-
Technology			
COBRA Tecnologia S.A. (“COBRA”) [8]	Brazil	99.39%	99.39%
Other			
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A. (“BB DTVM”)	Brazil	100%	100%
Brasil Aconselhamento Financeiro S.A. (“BAF”) [4]	Brazil	100%	100%
BESC Distribuidora de Títulos e Val. Mobiliários S.A. [5]	Brazil	99.62%	-
ATIVOS S.A. – Cia Securitizadora de Créditos Financeiros	Brazil	100%	100%
BB Administradora de Cartões de Crédito S.A. (“BB Cartões”)	Brazil	100%	100%
BB Administradora de Consórcios S.A.	Brazil	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	Brazil	100%	100%
Companhia de Seguros Aliança do Brasil [6] [8]	Brazil	100%	40%
BB Leasing Company Ltd	Cayman Islands	100%	100%
BB Securities Limited	England	100%	100%
BB Securities LLC	United States	100%	100%
Banco do Brasil AG. Viena	Austria	100%	100%
Brazilian American Merchant Bank (“BAMB”)	Cayman Islands	100%	100%
BB USA Holding Company [8]	United States	100%	-
BB Money Transfers, Inc [8]	United States	100%	-

(1) The Banking Segment also includes Banco do Brasil (parent company).
(2) BB Cidade do Leste was merged by BB Assunção in September 2008.
(3) "Dollar Diversified Payment Rights Finance Company" is considered a special purpose entity - SPE, of which BB is the main beneficiary.
(4) The company BAF is in dissolution process.
(5) Subsidiaries of Besc S.A., which were merged by Banco do Brasil as of September 30, 2008.
(6) Company consolidated only in 2008.
(7) Data for consolidation related to October /2008. This difference in the base date did not generate a material effect on our consolidated financial statements.
(8) Data for consolidation related to November /2008. This difference in the base date did not generate a material effect on our consolidated financial statements.

e) Mergers and Acquisitions

In July 2008, we acquired 30% of the total capital and 60% of the voting capital of Companhia de Seguros Aliança do Brasil ("Aliança"). The operation was consummated in the amount of R$ 670, paid in cash, with the recognition of goodwill of a R$ 581, goodwill based on the expectation of future profitability. We present below the summarized balance sheet of the acquisition:

	2008
Cash and cash equivalents	4
Securities	303
Property, plant and equipment	3
Other assets	259
Other liabilities	(480)
Fair value of the net assets acquired	**89**
Amount paid in the transaction	670
Goodwill	**581**

Expressed in millions of Reais, unless otherwise indicated

As of September 30, 2008, Banco do Brasil merged Banco do Estado de Santa Catarina S.A. (Besc) and Besc S.A. - Crédito Imobiliário (Bescri), by means of Banco do Brasil's additional issuance of its common shares. As of September 30, 2008, the capital increase of Banco do Brasil in the amount of R$ 487, which was submitted to ratification by the Central Bank of Brazil, was approved at.the Extraordinary General Meeting. The capital increase arising from the absorption of the shareholders' equity of Besc and of Bescri resulted in the issuance of 23,074,306 common shares (BBSA3), with no par value, by Banco do Brasil. The equities of these entities were valued at book value, and the transactions were accounted for through the pooling-of-interests method, as they were performed between entities under common control of the Federal Government. As of November 30, 2008, Banco do Brasil merged Banco do Estado do Piauí S.A. (Bep), by means of Banco do Brasil's additional issuance of its common shares. The Extraordinary General Meeting held on November 28, 2008 approved the capital increase of Banco do Brasil in the amount of R$ 81, pending ratification by the Central Bank of Brazil. The equity of Bep was valued at book value, and the transaction was accounted for though the pooling-of-interests method, as it was performed between entities under common control of the Federal Government.

	2008		
	BESC	**BESCRI**	**BEP**
Cash and cash equivalents	75	1,040	4
Interbank deposits	1,597	497	10
Securities	1,406	1,018	-
Loans	636	60	121
Property, plant and equipment	43	-	2
Other assets	237	10	120
Deposits of clients	(2,654)	(2,347)	(128)
Interbank deposits	(58)	-	-
Other liabilities	(1,054)	(19)	(48)
Book value of the net assets acquired	**228**	**259**	**81**

2. Description of significant accounting policies

a) Consolidation practices and use of estimates

The consolidated financial statements include Banco do Brasil, the companies in which the Bank has direct or indirect majority interest, in Brazil and abroad, and those variable interest entities (VIEs) of which we are the main beneficiaries. BB is defined herein as having majority interest in a company when it holds, directly or indirectly, the majority of voting shares. We are the main beneficiary of an entity when we absorb the majority of its expected losses or receive the majority of its expected residual returns.

The significant balances of all the accounts, and transactions performed,between the consolidated companies were eliminated.

The consolidated financial statements are presented in Reais and were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). In the preparation of the consolidated financial statements we use estimates and assumptions to measure certain assets, liabilities, income and expenses, according to US GAAP. The consolidated financial statements involve various estimates and assumptions, such as the measurement of allowance for loan losses, the estimate of the fair value of certain financial instruments, the calculation of technical provisions for insurance, of the amount of provisions for the non-realization of deferred tax assets, and the determination of the useful lives of certain assets and the determination of the chances and estimates of loss due to contingencies. Consequently, the actual results may be different from these estimates

b) Readjustments under stable currency

Brazil was considered a hyperinflationary economy until June 30, 1997, according to the guidelines of the Financial Accounting Standard Board ("FASB"). Consequently, for the purposes of these financial statements, all the non-monetary balances of operations prior to that date were adjusted to the price levels of June 30, 1997, in accordance with SFAS 52 – Foreign Currency Translation. The index used for this adjustment was the General Market Price Index (IGP-M), which we consider the most appropriate index due to its independent source nature, the long history of publication and also due to the fact that its composition encompasses wholesale, consumer and construction prices.

On the other hand, as from July 1, 1997, we can no longer consider Brazil as a hyperinflationary environment, as, on that date, the inflation rate that had accumulated in the previous 3-year period totaled less than 100%. For this reason, as of July 1, 1997, balances and operations are expressed in nominal Reais, as required by *US GAAP*.

c) Translation of transactions in foreign currency

Assets, liabilities and operations of foreign branches and subsidiaries are recorded in the functional currency of each entity. The functional currency of our foreign branches and subsidiaries is the Real, for US GAAP purpose – in accordance with SFAS 52. For consolidation purposes, the financial statements of these entities were translated in accordance with the following criteria: (i) assets and liabilities, mostly of a monetary nature, at the exchange rate in force at the end of the year; (ii) income and expenses at the average exchange rate for the year. Earnings and losses originating from translation were recognized as net earnings (loss) in income for the period.

d) Cash and cash equivalents

For purposes of the Consolidated Statement of Cash Flows, Cash and cash equivalents are considered the balances of the accounts Cash and bank deposits, Interbank deposits and Repurchase agreements with maturities within three months from the closing date of the year and that exhibit an insignificant risk of changes in value due to the alterations in the interest rates. The chart below shows the amounts of Cash and cash equivalents:

Expressed in millions of Reais, unless otherwise indicated

	December 31	
	2008	2007
Cash and bank deposits	5,373	4,329
Interbank deposits	19,200	27,071
Money market repurchase agreements	95,152	19,784
Total	**119,725**	**51,184**

e) Presentation of assets and liabilities subject to interest

Assets and liabilities subject to interest are presented in the Consolidated Balance Sheet at the amount of the principal outstanding plus interest and monetary and exchange variation incurred. This presentation is necessary because interest and monetary variation incurred are incorporated into the amount of principal outstanding, in each contractual period, for practically all these assets and liabilities. The total interest and monetary and exchange variation allocated on the amount of outstanding capital of the assets was R$ 40.603 and R$ 29.603, as of December 31, 2008 and 2007, respectively. The total interest and monetary and exchange variation related to liabilities transactions were R$ 16.555 and R$ 11.969, as of December 31, 2008 and 2007, respectively.

f) Repurchase agreements and and Liabilities related to committed operations

The Bank performs investments in securities with resale agreement ("resale agreement") and funding through the sale of securities with repurchase agreement ("repurchase agreement"), mainly involving federal government bonds. The resale agreements and repurchase agreements are considered secured financial operations and are recorded at their purchase or sale value, plus interest incurred.

The interest accrued in operations involving resale agreement and the interest applied to operations involving repurchase agreement are recorded in interest income - repurchase agreements and interest expenses - liabilities related to committed operations, respectively.

The Bank permanently monitors and values the market value of securities purchased involving resale agreement and adjusts the guarantee amount when necessary.

g) Trading assets

The Bank classifies as Trading assets those securities, including derivatives, held with trading purposes. This classification is defined with a basis on the Bank's intention on the date of acquisition (trading date).

Trading securities are recorded at fair value, generally based on market price quotations. If there are no market price quotations, the fair values are estimated with a basis on pricing models or on price quotations of financial instruments with similar characteristics. The yields (interest, amortization of goodwill and negative goodwill, and dividends) of these securities are allocated as interest income and presented in the Statement of Income for the year. The realized and unrealized gains and losses on these securities, are recognized as gains (losses) on trading assets in the Statement of Income for the year. We used the specific price and the average price for valuation of the portfolio of securities classified as trading assets.

Trading derivatives are classified in assets, in Trading assets, and in liabilities, in Other liabilities. The Bank has derivatives for trading, such as swap, futures contract, forward contract, option and other types of similar derivatives remuneration of which is based on interest rate, exchange rate, share prices, commodities and credit risk. The Bank also has derivatives contracted upon request from its clients.

These derivatives are recorded at fair value. If there are no market price quotations, fair values are estimated with a basis on pricing models or on price quotations for financial instruments with similar characteristics. Realized and unrealized gains and losses are recognized as gains (losses) on trading assets in the Statement of Income for the year.

h) Non-trading derivative financial instruments

Derivatives are recognized as assets or liabilities in the balance sheet and measured at fair value, regardless of the objective or of the intention to hold them in accordance with *SFAS 133*, *"Accounting for Derivative Instruments and Hedging Activities",* as altered by *SFAS 137, 138* and *149*. Changes in the fair values of an instrument are recognized in income or in shareholders' equity, depending on their designation and qualification as a fair value, cash flow or foreign currency hedge. To qualify as a hedge, the derivative should be: (i) designated as a hedge for a specific financial asset or liability at the beginning of the contract; (ii) effective in the mitigation of the risk associated with the exposure to be protected by the hedge; and (iii) highly correlated with respect to changes in its fair value as to the fair value or as to the cash flow of the item protected by the hedge, both at the beginning and during the validity period of the contract. The Bank does not adopt the practice of designating derivative financial instruments as an accounting hedge in accordance with the rules established in SFAS 133.

The Bank has non-trading derivatives to manage its global exposure to variations in the interest rates and foreign currencies, such as swap, futures contract, forward contract, option and other types of similar derivatives based on interest rate, exchange rate, share prices, commodities and credit risk.

Embedded derivatives are bifurcated when all of the following criteria are fulfilled: (i) the characteristics and economic risks of the embedded derivative are neither clear nor strongly related to the characteristics and economic risks of the main contract, (ii) the contract that contains the embedded derivative and the main contract is not revalued at fair value with alterations in the fair value recorded in net income as they occur and (iii) a separate instrument with the same terms as the embedded derivative, which would be subject to the requirements of *SFAS 133*, altered. These embedded derivatives are measured at fair value with income and loss recognized in net income on each date of disclosure.

In accordance with *SFAS 155*, *"Accounting for Certain Hybrid Financial Instruments" (SFAS 155)*, hybrid financial instruments that include an embedded derivative and would require bifurcation, can be recorded at fair value with changes in the fair value recognized in the consolidated income statement. The fair value would be applied instrument by instrument. However, the choice of implementing the accounting through fair value is irrevocable. We did not identify any embedded derivatives eligible for the application of *SFAS 155*.

i) Securities available for sale and held to maturity

The Bank classifies securities as available for sale when, in the opinion of Management, they can be sold in response to or in anticipation of changes in the market conditions. These securities are recorded at their fair value, whereas unrealized gains or losses are recorded, net of the taxes levied, in a separate account of shareholders' equity. The yields (interest, amortization of goodwill and negative goodwill, and dividends) of these securities are allocated as interest income and presented in the Statement of Income for the year. Gains and losses realized in the divestiture of securities available for sale are computed in the Statement of Income for the year as Gains (losses) on securities available for sale. We used the specific price and the average price for valuation of the portfolio of securities available for sale. Upon the occurrence of reclassification of securities available for sale to the trading category, the unrealized gain or loss up to the reclassification date, which is recorded in a separate shareholders' equity account, is immediately transferred to net income for the period.

Securities that the Bank has the firm intention and financial capacity of holding to maturity are classified as held to maturity and are recorded at acquisition cost, adjusted considering the interest incurred and the goodwill and negative goodwill. Interest, including goodwill and negative goodwill, is presented in the Statement of Income for the year in Interest income of securities held to maturity.

If a non-temporary loss occurs in the value of securities available for sale or held to maturity, the Bank recognizes this loss in the Statement of Income for the year, amount of which corresponds to the difference between the book value of the devalued security and its fair value on the date of devaluation. This fair value on the date of devaluation becomes the new cost basis of the security. To establish whether the devaluation of a security is not temporary, the Bank verifies the chances of recovery of the security's value, considering the following factors: (i) duration and magnitude of the reduction of the security's value below the book value; (ii) chances, determined with a basis on the historical behavior of the value of the securities and on our experience, of recovery of the decrease in the value of the securitites; and (iii) chances of non-receipt of the securities' principal and interest, due to difficulties relating to the issuer, such as application for bankruptcy or filing for chapter 11, deterioration of the credit risk rating and financial difficulties, related, or not, to the market conditions of the sector in which the issuer operates.

j) Loans and lease operations

Loans and lease operations are shown at the amount of principal, plus financial charges allocated, including the interest and the contractual indexation (monetary and exchange variation). Financial charges are recorded on the accrual basis and added to the amount of principal in each period. The allocation of financial charges is generally suspended in all loans and lease operations deemed as uncollectable in relation to the principal or to the charges, i.e. operations with delinquency of 60 days or more. These loans and lease operations, financial charge allocation of which is discontinued, are henceforth considered operations of abnormal course. The collection of interest on these loans and lease operations is recorded as reduction of the principal and, upon its receipt, the result is recognized on the cash basis.

Financial leases receive the same treatment as loans and are recorded in the total amount of accounts receivable, plus the estimated residual value of the leased asset, less the non-accrued revenue.

k) Allowance for loan losses

Allowance for loan losses represents the estimate of the Bank's Management of inherent probable losses in the loan portfolio or in the collateral operation, as of the date of the consolidated financial statements. The level of provision is determined based on estimates that consider the current economic scenarios, other assumptions and the Management's judgement, including previous experience with losses in the loan portfolio, existence of guarantees and the valuation of the individual risk of individual and corporate clients. The methodology used to estimate the losses of the loan portfolio is periodically reviewed by Management.

Allowance for loan losses is increased by means of recording expenses of provisions recorded for the coverage of loan losses, and reduced through write-off of loans and lease operations considered uncollectable. The provision recorded for loan losses is recorded as a reduction of loans and provision with guarantees provided is recorded in other liabilities.

In order to enable the determination of an adequate level of allowance for loan losses the most significant operations receive special and individualized treatment. This process results in specific allowance for loan losses and general allowance for homogeneous loans.

Allowance for loans that receive special and individualized treatment is determined in accordance with *SFAS 114 "Accounting by Creditors for impairment of a loan",* which was modified by *SFAS 118* "*Accounting by a Creditors for impairment of a Loan - Income Recognition and Disclosures"*. Operations subject to the special and individualized treatment represent operations in which there is the likelihood that, based on current information, the Bank will not receive the principal or charges in the manner established in a contract. We evaluate these operations individually based on the realization value of the related guarantees. We recorded allowance for losses in an amount equivalent to the difference between the book value of the loans and lease operations analyzed individually, and the value determined as shown above. Provision is not recorded in case the amounts determined exceed the debit balances of the operations.

The general allowance for homogenous loans is related to all other loans and lease operations that were not analyzed individually, but in which Management believes that loss could possibly occur, in accordance with *SFAS 5* "*Accounting for Contingencies".* Operations subject to general provision are normally low in terms of amounts and have similar characteristics, including loans to individuals, overdraft accounts, direct consumer finance, micro and small legal entities, rural producers and working capital loans.

Loans and lease operations are written off against provision when considered uncollectable or permanently defaulted. We normally write off our loans against provision when no payment is received after 360 days have elapsed since maturity.

The allowance for loans is recorded for an amount considered sufficient to cover probable losses from the portfolio at the reference date.

l) Investments in unconsolidated entities

Interest in unconsolidated entities, in which we own between 20% and 50% of the voting capital, is recorded through the equity method of accounting. Under this method, our interest in the earnings of these companies, calculated in accordance with US GAAP, is recognized in the statement of income for the year in Equity in the earnings of unconsolidated entities. Dividends are recorded under the Investments in unconsolidated entities accounts when received.

Investments in interest below 20% of the voting capital, without promptly determinable market value, are recorded at cost (unless we have the capacity to exercise significant influence over the operations of the investee, in which case we use the equity method) and dividends are recognized when received in the other noninterest income account.

No interest in unconsolidated companies, analyzed individually or jointly, is considered significant for purposes of more detailed disclosures in our financial statements.

m) Property and equipment in use

Premises, including leasehold improvements, are recorded at cost, which includes interest capitalized in accordance with *SFAS 34*, *"Capitalization of Interest Cost "*, and monetary correction until June 30, 1997. Depreciation is calculated using the straight-line method with the use of rates based on the estimated useful lives of assets. Leasehold improvements are amortized throughout the estimated useful life of the improvement.

Costs incurred with software development for internal use, which exclude costs relating to the planning and development stages, are capitalized according to the Statement of Position SOP 98-1 - *"Accounting for Web Site development Costs".* These costs are amortized through the straight-line method over a period no longer than 5 years.

BB evaluates the need for recognition of losses in accordance with the requirements of *SFAS 144 - "Accounting for the impairment of Disposal of long-lived Assets"* when events or circumstances indicate the existence of losses on these assets, i.e. their undiscounted expected future cash flows are lower than the respective accounting costs. (Note 10).

Premises intended for sale are reclassified to Premises available for sale group, in conformity *SFAS 144*. Income in the sale of fixed assets for use is recorded in the "Other Non-Interest Income" account.

n) Leases of nonoperating assets

Nonoperating assets are the assets received by the Bank under certain conditions related to a settlement of loans transactions. These assets are recorded and included in the other assets group upon the effective realization of the guarantee, or when their physical possession is obtained, regardless of foreclosure process.

Non-operating assets are recorded at the lower of (i) the fair value of the asset less the costs estimated for its sale, or (ii) the book value of the loan.

Gains or losses on the sale, as well as losses on the periodic revaluation of nonoperating assets are credited or debited directly in a statement of income account. Net costs for maintenance and operation of these assets are recorded as expenses as they are incurred.

o) Goodwill and other intangible assets

The accounting of goodwill on investments is governed by *SFAS 141* "*Business Combinations*" and *SFAS 142* "*Goodwill and Other Intangible Assets*". *SFAS 141* requires that all business combinations started as from June 30, 2001 be recorded by the purchase method and it also establishes criteria for recognition of intangible assets and of goodwill on investments. There was no recognition of loss in the years 2008 and 2007.

Goodwill on investments is not amortized, yet it is tested at least annually for valuation of permanent loss of value, in accordance with *SFAS 142*.

Intangible assets with defined useful lives are normally amortized through the straight line method during the estimated economic benefit period. Intangible assets related to the client portfolio are recorded and amortized over a period in which the asset should contribute toward the future cash flows (ranging between two and five years). We review our intangible assets according to events or changes in circumstances that could indicate that their book value may not be recovered, whereas in this case their write-offs are recognized immediately in net income in accordance with *SFAS 144*. (Note 11)

p) Interest on own capital tax benefit

We record income tax ("IR") and social contribution on net income ("CSLL") in accordance with SFAS 109, "*Accounting for Income Tax*", interpreted by Interpretation *FASB 48 ("FIN 48") "Accounting for Uncertainties in Income Taxes"*. According to *SFAS 109*, deferred tax assets and liabilities resulting from temporary differences, between the amounts presented in the financial statements and in the income tax returns, should be recognized and measured, with the tax expense or income of the period determined residually by the difference between the balance of the beginning and of the end of the period relating to these deferred tax assets and liabilities. These deferred assets and liabilities are re-appreciated in accordance with changes in the tax legislation and in the tax rates, and their effects are recognized in net income for the year in which the alterations take effect. The tax benefit of the tax loss carry-forwards is recognized as an asset. According to *FIN 48*, the income tax benefits are recognized and measured with a basis on a two-step model: (i) to be recognized, it should be more likely than not that a fiscal position will be sustained based on its technical merits alone, and (ii) the benefit is measured as the highest value of that position which is most likely to be sustained in the settlement. The difference between the benefit recognized for a fiscal position in accordance with *FIN 48* and the fiscal benefit alleged in a tax return is called unrecognized fiscal benefit. We accumulated interest and fines related to income tax (if applicable) inside income tax expense. We implemented *FIN 48* as of January 1, 2007, without there having been any impacts on our consolidated financial statements.

q) Contingencies

According to *SFAS 5* "Accounting for Contingencies" and to Interpretation *FASB 14 ("FIN 14") "Reasonable Estimation of the Amount of a Loss"*, we record provisions when the conditions known prior to the disclosure of the financial statements show that: (i) the losses are likely to have been incurred on the date of the financial statements; and (ii) the amount of these losses can be reasonably estimated. Provisions are formed with a basis on our best estimate of probable losses.

We continuously monitor the lawsuits in progress to evaluate, among other things: (i) their nature and complexity; (ii) the development of the suits; (iii) the opinion of our legal advisors; and (iv) our past experience with similar lawsuits. In determining whether a loss is probable and its estimate, we also consider: (i) the chances of loss resulting from claims that occurred prior to or on the balance sheet date, but that were identified after that date, yet prior to its disclosure; and (ii) the need to disclose the claims or events that occur after the balance sheet date, yet prior to its publication. The legal costs related to contingencies are recorded in expense when incurred.

r) Guarantees granted

The Bank provides guarantee to clients before third parties in loan agreements. Upon the concession of these guarantees, liability is recorded relating to the premium receivable, the amounts of which are recognized as revenue according to the expiration of the period of the guarantee provided. To reduce the risks, the Bank can optionally require counter guarantees such as assignment of credit receivables and cash deposits.

In compliance with *SFAS 5* and with *FIN 45 "Guaranters Accounting and Disclosure Requirements for Guarantees",* we recorded allowance for losses on guarantees, to bear losses resulting from the potential need to honor obligations originating from contracts of the kinds specified above.

s) Fee income services

The Bank obtains revenues from banking fees and commissions for services rendered resulting from the management of investments, from investment bank activities and from services rendered in the commercial bank activity. These revenues are generally recognized on the date the services are effectively rendered or during the validity period of the contract.

t) Benefits for employees

We contribute compulsorily, as an employer, to the National Institute of Social Security - ("INSS"), an agency of the Brazilian Government, which manages retirement plans, pensions, and other benefits for workers, amounts of which are recorded as expense as they are incurred.

The Bank is also a sponsor of defined benefit plans and of a defined contribution plan, intended for the coverage of supplementary retirement of the employees. These plans are accounted for in accordance with *SFAS 87*, *"Employers Accounting for Pensions*". The accounting of defined benefit plans requires the use of actuarial assumptions to measure the costs of the retirement benefits and to establish the deferral of gains and of actuarial losses (following the corridor approach) resulting from alteration in the assumptions or from effective experience different from that presumed. For the defined contribution plan, the Bank recognizes as expense in the Statement of Income for the year the amounts of contributions converted for the benefit of the plan beneficiaries.

SFAS 132 Revised "*Employers Disclosures about Pensions and other Post-retirement Benefits"*, effective for fiscal years ending after December 15, 2003, for purposes of disclosure of information about the retirement benefit plans. This pronouncement determines the disclosure of additional information about the assets of the supplementary pension plan, obligations with benefits, the cash flows expected from future contributions, payments of benefits and other relevant information. *SFAS 132 (R)* determines that the disclosure of information about the payment of estimated future benefits took effect in the fiscal years ended after June 15, 2004. The effects of *SFAS 132 (R)* were applied to all the years.

As of December 31, 2006, as established by *SFAS 158*, *"Accounting for defined benefit Pension and other Post-retirement plans",* BB started to additionally recognize, in proportion to its responsibility, actuarial gains and losses in the balance sheet as a contra-account to the account of shareholders' equity ("Accumulated Other Comprehensive Income - Post-retirement Benefit Plans").

The Bank also contributes with a post-employment benefit plan other than pension with the purpose of providing a health care plan ("Health Plan") to its employees. This plan is administrated by Caixa de Assistência dos Funcionários do Banco do Brasil ("CASSI"), and is recorded in accordance with *SFAS 106 "Employers Accounting for Post-retirement Benefit Plans other than Pensions".*

u) Insurance

The majority of our insurance contracts are considered short-term insurance contracts. The premiums of short-term contracts are recognized over the course of the period of the related contract. The premiums of the long-term contracts are recognized when due by the policyholders.

Provisions for insurance claims are recorded in accordance with the historical experience with claims in the course of payment, with the estimated amount of claims incurred and not reported and with other relevant factors that have an effect on the provisions required. Provisions are regularly adjusted with a basis on the knowledge of the effects of alterations in the estimates of provisions, included in net income for the period, in which the estimate was altered and includes the estimate of provisions for claims incurred and reported and incurred and not reported.

We adopt pronouncement *SOP 05-1 - "Accounting by Insurance Enterprises for Deferred Acquisition Costs in conection with Modifications or Exchanges of Insurance Contracts". SOP 05-1* provides accounting guidance for deferred acquisition costs related to internal exchanges of insurance contracts and investment contracts, other than those specifically described in *SFAS 97*, *"Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for realized Gains and Losses Realized from the Sale of Investments"*. *SOP 05-1* defines an internal exchange as a modification in the benefits, characteristics, rights or coverage that occurs through the exchange of one contract by another contract, or by an amendment, endorsement or additional clause, or by the choice of a characteristic or coverage inside a contract. The adoption of this rule did not generate any impact on the financial statements.

We recognize provision for claims outstanding and claims adjustments, which represents the amount required to cover the estimated final cost of the settlement of claims relating to events that occur prior to or as of the balance sheet date. The estimated liability includes the amount required for future payments of (a) claims reported to the insurance company, (b) claims relating to insured events already incurred, but not yet reported to the insurance company on the date of the liability estimate, and (c) expenses with claims adjustment. These expenses include the costs incurred in the financial settlement process of claims, such as: lawyers' fees; external adjustment fees; and costs relating to the recording, processing and adjustment of claims.

Expenses with shortfall of premiums are established, if necessary, when the obligation for future policy benefits plus the present value of the expected future gross premiums are not sufficient to pay expenses and benefits of future polices expected and to recover any acquisition costs of unamortized policy.

During the normal course of our insurance activities, we reinsure part of the risk underwritten with IRB-Brasil Resseguros S.A., an entity of governmental control. The reinsurance contract permits the recovery of part of the losses through the reinsurance company, although it does not entail our main responsibility as a direct insurer of the reinsured risks. Recoveries of claims with reinsurance operations totaled R$ 40 as of December 31, 2008.

v) Earnings per share

The earnings per share are calculated by dividing net income by the weighted average of number of common shares on the market in each one of the years presented. The weighted average is determined with a basis on the periods in which the shares were on the market. The information reflects the split (1:3) performed in 2007. The calculation of the earnings per share is detailed in Note 22.

w) Interest on own capital and dividends

Since January 1, 1996, Brazilian companies have been able to assign a nominal interest expense, deductible for tax purposes, on their own capital. For US GAAP purposes, the amount of interest on own capital is considered a dividend and is therefore presented in the financial statements as a direct reduction in shareholders' equity. The corresponding tax benefit is recorded in the Statement of Income for the year. The payment of interest on own capital is recorded in the other noninterest expenses account.

Dividends distributed by the Bank are calculated on net income determined in accordance with accounting practices adopted in Brazil, before the deduction of the employees' profit sharing, and are paid plus financial charges equivalent to the Selic rate (basic interest rate of the Brazilian economy), accrued from balance sheet closing date up to the date of the effective payment.

x) Preoperating expenses

Preoperating expenses are recognized as expense, in accordance with *SOP 98-5 "Reporting on the Costs of Start-up Activities"*. *SOP 98-5* defines preoperating expenses as those initial expenditures relating to the opening of a new branch, introduction of a new product or service, running of business in a new territory, running of business with a new class of client, start of a new operation or activities related to the organization of a new entity. .

y) Special Purpose Entity - SPE

Operations carried out with the Special Purpose Entity - SPE correspond to securities backed by securitization contracts that include securities issued backed by payment orders issues by correspondent bankers located in the United States of America and by our New York branch to any branch of BB in Brazil ("Remittance Rights"), pursuant to Item "b" of Note 15.

In January 2003, *FASB* issued Interpretation *FASB 46 - FIN 46 "Consolidation of Variable Interest Entities*", which was revised in December 2003 with the disclosure of *FIN 46 (R) "Consolidation of Variable Interest Entities*". *FIN 46 (R)* establishes a distinction between SPEs and companies that are not SPEs (involving any entity with activities related essentially to the securitizations or other forms of financing guaranteed by assets or leases of a single lessee) for purposes of implementing the rule, with complete fulfillment required by the end of the first period to be disclosed after March 15, 2004.

As of December 31, 2008 and 2007, we consolidated these SPEs based on the rules in force then, established by *EITF 90-15 - "Impact of Non-Substantive Lessors, Residual Value Guarantee and Other Provisions in Leasing Transactions*" and by Topic N°D-14 - Transactions that involve Special Purpose Entities, both replaced by *FIN 46 (R)* as from 2004. For consolidation, we consider our capacity of main beneficiary of the entity (subject to the main part of the risk of loss or with the right to receive most of the residual returns).

Compliance with *FIN 46 (R)* did not generate impacts on the consolidation of the existing SPE.

z) Accounting pronouncements recently issued

SAB 109

In November 2007, *SEC* issued *SAB 109 "Written Loan Commitments Recorded at Fair Value Though Earnings*", which requires the inclusion of expected net future cash flows relating to the payment of loans in the measurement of all the loan commitments written off, measured at fair value in net income. The adoption of *SAB 109* is applicable for loan commitments measured at fair value in net income, issued or modified after January 1, 2008. The adoption of *SAB 109* did not generate an impact on our consolidated financial situation or result of operations.

SFAS 141R

In December 2007, *FASB* issued *SFAS 141 (R)* "*Business Combinations"*. This pronouncement replaces *SFAS 141* "*Business Combinations"*. This Pronouncement maintains the essential requirements of pronouncement 141 on the acquisition accounting method (which in pronouncement 141 is called purchase method) and should be used in all the business combinations for an acquisition to be identified by each business combination. This pronouncement defines the acquirer as the entity that obtains control of one business or more in the business combination and establishes the date of acquisition as well as the date on which the acquirer takes control. This pronouncement is applicable prospectively to business combinations on the date of acquisition or after the start of the first annual report period starting on or after December 15, 2008. We are evaluating the impact of the adoption of *SFAS 141R*. However, at this point we do not expect the effect of *SFAS 141R* to be significant on our consolidated financial statements.

SFAS 160

In December 2007, *FASB* issued *SFAS 160* "*Non-controlling Interests in Consolidated Financial Statements — an amendment to ARB No. 51"*. This pronouncement alters *ARB 51* and establishes accounting and disclosure rules for the uncontrolled capital in a subsidiary and for the deconsolidation of the subsidiary. It clarifies that the uncontrolled capital in a subsidiary is equity interest in the consolidated entity that should be stated as equity in the consolidated financial statement. This pronouncement is effective for fiscal years, and interim periods inside these fiscal years starting on or as from December 15, 2008. We do not expect the adoption of this pronouncement to have a significant impact on our consolidated financial condition or result of operations.

FSP SFAS 140-3

In February 2008, *FASB* issued *FSP SFAS 140-3* "*Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*". *FSP 140-3* refers to accounting for repurchase agreements relating to financial assets previously transferred when the repurchase agreement takes place between the same parties as the ones in the original transfer. This *FSP* assumes that an initial transfer of a financial asset and the repurchase agreement are considered parts of the same agreement in conformity with *SFAS 140*. However, if certain criteria are found, the initial transfer and the repurchase agreement should not be evaluated as associated transfers and instead, should be evaluated separately in accordance with *SFAS 140*. This *FSP* is effective for fiscal years that start after November 15, 2008 and should be applied prospectively to initial transfers and repurchase agreements the initial transfer of which is executed at the time of or after the start of the fiscal year in which this FSP is initially applied. We are evaluating the potential impact of the adoption of *FSP 140-3*.

SFAS 161

In March 2008, *FASB* issued *SFAS 161* "*Disclosures about Derivative Instruments and Hedging Activities – an amendment to SFAS 133*" which requires improvements in the current disclosure structure of *SFAS 133*. The pronouncement requires that objectives for the use of derivative financial instruments be disclosed in terms of basic risks and accounting designation. This disclosure transmits better the purpose of using derived instruments, in terms of risks that the entity intends to manage. Disclosing the fair value of derivative instruments and their gains and losses in the form of a table provides a more complete scenario of the location in the financial statement of the entity referring to the position of derivatives at the end of the period and the effect of the use of derivatives in the period. Disclosing information about credit risk relating to the contingent resources should provide information about the potential impacts on the liquidity of an entity using derivatives. Finally this pronouncement requires cross references with the footnotes, which should help financial statement users to locate important information about derivative financial instruments. This pronouncement is effective for financial statements published for the fiscal years, and interim periods inside these fiscal years starting after November 15, 2008. We are evaluating the impact of the adoption of *SFAS 161*. So far we do not expect the effect of the adoption of *SFAS 161* to be significant

FSP SFAS 142-3

In April 2008, *FASB* issued *FSP SFAS 142-3* "*Determination of the Useful Life of Intangible Assets"*, which amends the factors that should be considered in the development of the renewal or extension of assumptions used to determine the useful lives of intangible assets recognized in conformity with *SFAS 142*. The intention of this *FSP* is to improve the consistency between the useful life of intangible assets recognized according to pronouncement *SFAS 142* and the generation period of expected cash flows used to measure the fair value of the assets in conformity with *SFAS 141 (R)*, and other accounting principles. This *FSP* is applied regardless of the nature of the transaction that resulted in the recognition of the asset, whether they are acquired in a business combination or otherwise. In the development of assumptions about renewal or extension used to determine the useful lives of the intangible assets recognized, an entity should consider its own historical experience in renewing or extending similar agreements. However, these assumptions should be adjusted to the specific factors of the entity pursuant to Paragraph 11 of Pronouncement 142. In the absence of this experience, the entity should consider the factors that the market players would use related to the renewal or extension (compatible with the best use of assets by the market players), adjusted to specific factors of the entity in conformity with Paragraph 11 of Pronouncement 142. We are evaluating the potential impact of the adoption of *FSP SFAS 142-3*.

SFAS 163

In May 2008, *FASB* issued *SFAS 163* "*Accounting for Financial Guarantee Insurance Contracts - an Interpretation of Pronouncement FASB 60"*. *SFAS 163* requires an insurance company to recognize responsibility for the claim prior to the default event (insured event) when there is evidence that the deterioration of loans have occurred in an insured financial obligation. This pronouncement also elucidates how *SFAS 60* "Accounting and Reporting by Insurance Enterprises" is applied to financial guarantees of insurance contracts, including the recognition and the measurement to be used in the accounting of revenues from premiums and claims payable. These clarifications will increase the comparability in the financial statements of the financial guarantees of insurance contracts by insurance companies. This pronouncement requires disclosure about financial guarantees of insurance contracts. The accounting and the disclosure requirements will improve the quality of the information provided to users of the financial statements. *SFAS 163* is effective for fiscal years that start after December 15, 2008. We are evaluating the potential impact of the adoption of *SFAS 163*.

FSP APB 14-1

In May 2008, *FASB* issued *SFAS 14-1 "Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion*". This position of the members of *FASB (FSP)* clarifies that convertible debt instruments that can be settled in cash upon conversion (includes partial cash settlement) are not addressed by paragraph 12 of *APB Opinion 14*. In addition, this *FSP* specifies that the issuers of said instruments should record the liabilities and equity components separately in order to reflect the rate of nonconvertible debt of the entity, when the cost of interest is recognized in subsequent periods. This *FSP* should be applied to the financial statements issued for fiscal years started after December 15, 2008. We are evaluating the possible effects that can arise with the adoption of this pronouncement.

FSP EITF 03-6-1

In June 2008, *FASB* issued *FSP EITF 03-6-1*, "*Determing Whether Instruments Granted in Share Based Payment Transactions are Participating Securities".* The objective of this *FSP* is to determine whether instruments guaranteed in remuneration based on Shares are interests prior to acquisition, and consequently need to be included in the allocation of profit in the computing of earnings per share by the two-class method described in paragraph 60 and 61 of *SFAS* 128 "Earnings per Share". It should be applied to the financial statements issued for fiscal year and interim periods started after December 15, 2008. We are evaluating the possible effects that can arise with the adoption of this pronouncement.

FSP FAS 157-3

In September 2006, *FASB* issued *SFAS 157* "*Fair Value Measurements*" that is valid for fiscal years started after November 15, 2007. *SFAS 157* defines the fair value, establishes a structure for the measurement of the fair value and increases requirements in the disclosures for assets and liabilities calculated by the fair value. The new rule offers a consistent definition of fair value that concentrates in the output price and prioritizes, in the context of fair value measuring, the use of information based on the most advantageous market for the asset or liability and not of specific information of the company. *SFAS 157* also establishes a hierarchy of three levels for the fair value that prioritizes the observable information when it is measured by the company and minimizes unobservable information.

SFAS 157 annualizes the guidelines of *EITF 02-3*, which required the deferral of income at the start of a transaction involving a derivative financial instrument in the absence of observable data that would sustain the valuation technique. The rule also eliminates discounts for major positions in financial instruments quoted in active markets and requires the consideration of risk of non-execution in the valuation of liabilities.

In February 2008, *FASB* issued *FSP FAS 157-2* that postpones the date of validity of *SFAS 157* for non-financial assets and liabilities, excepting for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years and periods started after November 15, 2008.

In October, 2008 *FASB* issued *FSP FAS 157-3*. The objective of this *FSP* is to determine the application of *SFAS 157* when the market of a financial asset is inactive. Specifically, *FSP 157-3* clarifies how (i) the internal judgment of management should be considered in the measurement of the fair value when there is no observable data (ii) the observation of the market information of an inactive market needs to be brought to accounting, and (iii) the use of quotations of brokers or pricing services should be considered in the determination of the relevance of observable or non-observable data to measure the fair value. The adoption of *FSP 157-3* has immediate application and did not generate significant impacts on our financial position.

The disclosures required by *SFAS 157* are shown in Note 23-k.

Expressed in millions of Reais, unless otherwise indicated

FSP FAS 133 and FIN 45-4

In September 2008, *FASB* issued *FSP FAS 133-1* "*Accounting for Unrealized Gains (Losses) with Derivatives*" and *FIN 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*". According to *SFAS 133*, the seller of a credit derivative should disclose the following information for each derivative, including credit derivatives embedded in a hybrid instrument, even if the payment chances are remote:
I - the nature of the credit derivative;
II - the maximum potential amount of future payments;
III - the fair value of the credit derivative;
IV - the nature of any resource made available and any assets provided as guarantee by third parties.
In addition, the rule requires the disclosure of current payment and of the risk performance of all the guarantees of *FIN 45*. At an entity that uses internal grouping, the entity should disclose the way in which the groupings are determined and used for risk management. These alterations should be applied to the financial statements issued for fiscal years started after December 15, 2008. We are evaluating the possible effects that can arise with the adoption of this pronouncement.

3. Restricted assets

The Bank is required to keep minimum reserves in cash, not remunerated, and remunerated deposits or deposits in securities to satisfy certain levels of enforceability established by the Central Bank of Brazil and, also by some central banks of foreign countries where the Bank maintains branches.

The resources maintained by the Bank are as follows:

	December 31	
	2008	**2007**
Without remuneration [(1)]	12,446	12,742
With remuneration [(2)]	8,445	19,603
Total	**20,891**	**32,345**

(1) Compulsory payment on demand deposits, classified as "Restricted cash" in the balance sheet.
(2) Compulsory payment on savings deposits, included in "Interbank deposits" in the balance sheet.

Brazilian and foreign securities tied to compulsory deposits amounted to R$ 14,102 and R$ 4,445 on December 31, 2008 and 2007, respectively. These securities are recorded in accordance with *SFAS 115*. The amortized costs and the fair values of these securities are included in Notes 4, 5 and 6.

4. Trading Assets, at Fair Value

Assets classified as trading assets are presented in the table below, at their fair value:

	December 31			
	Balance		Average Balance	
	2008	**2007**	**2008**	**2007**
Certificates				
Brazilian Federal Government securities	17,039	18,434	5,836	11,087
Foreign government securities	2	3	-	-
Securities issued by non-financial companies	201	48	83	14
Securities issued by financial companies	56	8	28	22
Brazilian government bonds issued abroad	22	51	15	29
Investments in mutual funds	856	18	-	-
Trade shares	7	-	-	145
Total	**18,183**	**18,562**	**5,962**	**11,297**
Derivative financial instruments				
Swaps	1,522	1,125	1,493	1,071
Options	2	1	-	-
Term operations	752	24	654	180
Total	**2,276**	**1,150**	**2,147**	**1,251**
Total trading securities, at fair value	**20,459**	**19,712**	**8,109**	**12,548**

Expressed in millions of Reais, unless otherwise indicated

Unrealized net gains / (losses) in trading assets included in net income for the period are shown in the table below:

	Year ended December 31	
	2008	**2007**
Brazilian Federal Government securities	234	(131)
Securities issued by non-financial companies	(15)	(1)
Securities issued by financial institutions	(2)	(1)
Brazilian government bonds issued abroad	(2)	(2)
Investments in mutual funds	(1)	-
Trade shares	4	-
Derivative financial instruments	128	(93)
Total unrealized net gains (losses) included in net income for the period	**346**	**(228)**

The table below presents the fair value of the trading assets that are tied to:

	December 31	
	2008	**2007**
Compulsory Deposits	-	171
Collateral operation	-	2
Repurchase agreements	674	-
Total	**674**	**173**

5. Securities available for sale, at fair value

	December 31, 2008			
	Amortized cost	**Unrealized gross gains**	**Unrealized gross losses**	**Fair value**
Brazilian Federal Government securities	29,751	67	(90)	29,728
State and municipal bonds	31	-	(1)	30
Foreign government securities	746	4	-	750
Securities issued by non-financial companies	4,544	6	(22)	4,528
Securities issued by financial companies	129	-	-	129
Brazilian government bonds issued abroad	2,429	220	(5)	2,644
Mutual funds	321	59	(7)	373
Trade shares	44	2	(23)	23
Total	**37,995**	**358**	**(148)**	**38,205**

	December 31, 2007			
	Amortized cost	**Unrealized gross gains**	**Unrealized gross losses**	**Fair value**
Brazilian Federal Government securities	31,899	185	(114)	31,970
State and municipal bonds	30	1	-	31
Foreign government securities	1,937	-	-	1,937
Securities issued by non-financial companies	2,101	11	(30)	2,082
Securities issued by financial companies	34	-	(2)	32
Brazilian government bonds issued abroad	1,474	164	-	1,638
Mutual funds	278	46	(13)	311
Trade shares	59	16	(12)	63
Total	**37,812**	**423**	**(171)**	**38,064**

Expressed in millions of Reais, unless otherwise indicated

The table below presents the fair value of the securities available for sales that are tied to:

	December 31	
	2008	2007
Collateral operation	1,568	685
Repurchase agreements	11,453	13,263
Compulsory deposits	12,574	4,274
Total	**25,595**	**18,222**

Gross gains and losses realized with securities available for sale were as follows:

	December 31	
	2008	2007
Gain	59	61
Losses	(45)	(2)
Gains on securities available for sale	**14**	**59**

The amortized cost and the fair value, by maturity of the securities available for sale were as follows:

	December 31			
	2008		2007	
	Amortized cost	Fair value	Amortized cost	Fair value
Maturing up to 1 year	13,413	13,424	15,135	15,175
Maturity for more than one to five years	15,584	15,550	20,510	20,515
Maturity from five to ten years	6,694	6,670	600	587
Maturity up to ten years	1,939	2,165	1,230	1,413
Maturity undefined (mutual funds and trade shares)	365	396	337	374
Total	**37,995**	**38,205**	**37,812**	**38,064**

The table below shows our portfolio of securities available for sale by currency:

	December 31			
	2008		2007	
	Amortized cost	% of total	Amortized cost	% of total
Brazilian currency (Real)	35,369	93.1%	34,191	90.4%
Indexed and denominated in foreign currencies	2,626	6.9 %	3,621	9.6%
Total	**37,995**	**100%**	**37,812**	**100%**

The tables below present the amount of unrealized losses on December 31, 2008 and 2007, distributed in accordance with the nature of the securities and the maturity of the losses:

					December 31 2008	
	Up to 12 months		Above 12 months		Total	
	Fair value	Unrealized Losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Brazilian Federal Government securities	8,996	(51)	2,891	(39)	11,887	(90)
State and municipal bonds	29	(1)	-	-	29	(1)
Securities issued by non-financial companies	3,233	(22)	-	-	3,233	(22)
Securities issued by financial companies	22	-	-	-	22	-
Brazilian government bonds issued abroad	411	(5)	-	-	411	(5)
Mutual funds	4	(7)	-	-	4	(7)
Trade shares	9	(23)	-	-	9	(23)
Total	**12,704**	**(109)**	**2,891**	**(39)**	**15,595**	**(148)**

Expressed in millions of Reais, unless otherwise indicated

						December 31 2007
	Up to 12 months		Above 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Brazilian federal government bonds	3,986	(114)	43	-	4,029	(114)
Foreign government securities	1,775	-	-	-	1,775	-
Securities issued by non-financial companies	1,012	(30)	-	-	1,012	(30)
Securities issued by financial companies	-	(2)	-	-	-	(2)
Brazilian government bonds issued abroad	61	-	-	-	61	-
Mutual funds	19	(3)	1	(10)	20	(13)
Trade shares	18	(9)	-	(3)	18	(12)
Total	**6,871**	**(158)**	**44**	**(13)**	**6,915**	**(171)**

During the years 2008 and 2007 no losses of a non-temporary nature were recognized.

On December 31, 2008 and 2007, the Bank did not hold securities of a single group or of a group of related companies in an amount which was higher than 10% of our shareholders' equity.

During the years 2008 and 2007 no securities from the category of securities available for sale were reclassified.

The Bank has been participating in auctions for the exchange of instruments of the Federal Government of Brazil by instruments of the same issuer. During the years 2008 and 2007 the sums of R$ 12,585 and R$ 9,148, respectively, were exchanged, corresponding to the market value of the securities received in the exchange on the data of the operations. The transactions resulted in profit of R$ 4 on 2008 and in immaterial profit on 2007, which were recorded in net income.

6. Securities Held to Maturity

				December 31, 2008
	Amortized cost	Unrealized gross gains	Unrealized gross losses	Fair value
Brazilian Federal Government securities	15,701	-	(6)	15,695
Foreign government securities	33	-	-	33
Brazilian government bonds issued abroad	173	-	(6)	167
Total	**15,907**	**-**	**(12)**	**15,895**

				December 31, 2007
	Amortized cost	Unrealized gross gains	Unrealized gross losses	Fair value
Brazilian Federal Government securities	16,452	-	-	16,452
Foreign government securities	16	-	-	16
Securities issued by financial companies	13	-	-	13
Brazilian government bonds issued abroad	349	9	-	358
Total	**16,830**	**9**	**-**	**16,839**

The table below presents the amortized cost of the securities held to maturity that is tied to:

	December 31	
	2008	2007
Collateral operation	72	50
Repurchase agreements	10,506	15,341
Compulsory deposits	1,528	-
Total tied	**12,106**	**15,391**

Expressed in millions of Reais, unless otherwise indicated

The amortized cost and the fair value, by maturity, of securities held to maturity were as follows:

	December 31			
	2008		2007	
	Amortized cost	Fair value	Amortized cost	Fair value
Maturing up to 1 year	4,501	4,502	3,687	3,691
Maturity more than one to five years	8,512	8,498	10,593	10,588
Maturity more than five to ten years	2,894	2,895	2,550	2,560
Total	**15,907**	**15,895**	**16,830**	**16,839**

The table below shows our portfolio of securities held to maturity by currency:

	December 31			
	2008		2007	
	Amortized cost	% of total	Amortized cost	% of total
Brazilian Currency (Real)	15,701	98.7%	16,452	97.8%
Indexed and denominated in foreign currencies	206	1.3%	378	2.2%
Total	**15,907**	**100%**	**16,830**	**100%**

The tables below present the amount of unrealized losses on December 31, 2008 and 2007, distributed according to the nature of the securities and the maturity of the losses:

	December 31, 2008					
	Up to 12 months		Above 12 months		Total	
	Amortized cost	Unrealized losses	Amortized cost	Unrealized losses	Amortized cost	Unrealized losses
Brazilian Federal Government securities	9,130	(2)	21	(4)	9.151	(6)
Brazilian government bonds issued abroad	168	(6)	-	-	168	(6)
Total	**9,298**	**(8)**	**21**	**(4)**	**9,319**	**(12)**

	December 31, 2007					
	Up to 12 months		Above 12 months		Total	
	Amortized cost	Unrealized losses	Amortized cost	Unrealized losses	Amortized cost	Unrealized losses
Securities issued by financial companies	13	-	-	-	13	-
Total	**13**	**-**	**-**	**-**	**13**	**-**

Non-temporary losses of securities held to maturity were not recognized during the years 2008 and 2007.

On December 31, 2008 and 2007, the Bank did not have securities of a single group or of a group of related companies the amount of which was higher than 10% of our shareholders' equity.

During the years 2008 and 2007 there are no reclassifications of securities held to maturity.

Expressed in millions of Reais, unless otherwise indicated

7. Loan operations

The loans exhibited the following balances:

	December 31	
	2008	**2007**
Brazil		
Commercial		
Industrial and others	69,233	51,466
Export financing	24,609	14,031
Import financing	1,396	874
Individuals		
Loans and financing	35,399	25,118
Credit card	8,262	6,253
Overdraft accounts	3,005	2,357
Rural credit		
Rural financing - investments transferred and refinanced	21,843	19,594
Rural financing- compulsory investments	27,375	22,253
Agroindustrial financing	12,627	7,416
Rural financing - free investments	1,863	87
Leases	2,974	1,221
Public sector	845	543
Total Brazil	**209,431**	**151,213**
Total Abroad. (1)	**15,130**	**11,372**
Total loans (2)	**224,561**	**162,585**
Less: Provision for losses	**(13,709)**	**(10,202)**
Total loans, net	**210,852**	**152,383**

(1) Substantially financings to Brazilian importers/exporters and to the Brazilian Public Sector, which totaled R$ 7,883 and R$ 3,118, on December 31, 2008, and R$ 6,164 and R$ 1,863, on December 31, 2007, respectively.
(2) Include abnormal credits.

On December 31, 2008 and 2007, our loans of abnormal course totaled R$ 13,509 and R$ 7,513, respectively. Operations overdue for more than 60 days are considered as abnormal course. The Bank doesn't recognize interest income on these operations. The receipt of these amounts is recognized on the cash basis.

We grant loans to several entities related to the Federal Government, our majority shareholder. Operations are practiced under normal market conditions, including interest rate and normal guarantees required for operations carried out with unrelated entities. We do not grant loans to officers or members of our Board of Directors. Operations contracted with related parties were R$ 2,193 and R$ 3,290, on December 31, 2008 and 2007, respectively.

We did not have any restructuring of problematic loans considered significant.

Loans subject to individualized analysis

The table below informs the loans subject to individualized analysis:

	December 31	
	2008	**2007**
Loans with provision	2,033	874
Loans without provision (1)	923	252
Total loans	**2,956**	**1,126**
Average balance of loan operations	1,665	1,044
Provision for loans in accordance with SFAS 114(2)	1,483	656

(1) These loans do not require provision because the present value of the expected future cash flows, or the fair value of the related guarantees, exceed the book value,
(2) Provision for loans subject to special and individualized analysis, under SFAS 114, is included in the sum of provision for losses,

Expressed in millions of Reais, unless otherwise indicated

8. Allowance for loan losses

Allowance for loan losses presented the following activity:

	December 31	
	2008	**2007**
Opening balance	10,202	8,289
Allowance for loan losses	7,286	4,462
Receivables written off against provision	(4,950)	(3,652)
Receivables recovered (1)	1,106	1,131
Written off receivables, net	(3,844)	(2,521)
Exchange variation on allowances – foreign	65	(28)
Closing balance	**13,709**	**10,202**

(1) In the recovery of written-off receivables, we also recognized interest income in the amount of R$ 608 and R$ 316, on December 31, 2008 and 2007, respectively.

Expressed in millions of Reais, unless otherwise indicated

9. Investments in unconsolidated entities and other investments

a) Breakdown

Company	Interest percentage Total	Voting capital	Shareholders' equity of the investee co. (1) (2)	Net income (loss) for the period (1)	December 31 2008 Book value of investment	2008 Earnings in unconsolidated entities	2007 Book value of investment	2007 Earnings in unconsolidated entities
Brasilcap Capitalização S,A	49,99	49,99	117	164	58	82	87	44
Brasilprev Seguros e Previdência S,A,	49,99	49,99	1,074	160	537	80	463	219
Brasilsaúde Companhia de Seguros	49,92	49,92	53	5	26	3	26	3
Brasilveiculos S,A	70,00	40,00	289	178	202	125	217	50
Companhia de Seguros Aliança do Brasil S,A,(3)	100,00	100,00	-	-	-	-	227	66
Companhia Brasileira de Soluções e Serviços	40,35	40,35	121	63	48	25	30	13
Companhia Brasileira de Meios de Pagamento	31,63	31,63	172	861	54	272	197	282
Pronor Petroquímica S,A,	12,02	29,51	134	(25)	16	(3)	19	1
Kepler Weber S,A,	17,65	17,65	193	(44)	34	(8)	33	(22)
Itapebi Geração de Energia S,A,	19,00	19,00	246	184	46	35	39	20
Neoenergia S,A,	8,81	8,81	8,392	1,630	739	144	655	121
Total investments valued by the equity method			10,791	3,176	1,760	755	1,993	797
Other investments valued at cost			-	-	67	-	67	-
Grand Total			**10,791**	**3,176**	**1,827**	**755**	**2,060**	**797**

(1) Sums resulting from the financial statements prepared in accordance with accounting practices adopted in Brazil, adjusted in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), when applicable. There are no significant restrictions for the remittance of funds to the Bank.
(2) The amount relating to mark to market of securities of associated companies is R$ 255, on December 31, 2008 (R$ 199 – 2007).
(3) As of the year ended December 31, 2008 Companhia de Seguros Aliança do Brasil S.A. has been part of the consolidated companies.

b) Other Information

Dividends, including interest on own capital, received from investments in unconsolidated entities, were R$ 840 and R$ 423 in the years ended December 31, 2008 and 2007, respectively.

Expressed in millions of Reais, unless otherwise indicated

10. Fixed assets for use, net

	Estimated Useful Life In years	December 31 2008	2007
Land	--	191	190
Buildings	25	4,029	3,828
Furniture and equipment	10	942	866
Improvements to third-party property	5 to 10	1,056	906
Data processing equipment	5	2,953	2,436
Vehicles	5	8	8
Leased equipment	5	819	849
Software development and acquisition costs	3 to 5	958	737
Other	5 to 10	494	489
Accumulated depreciation		(7,337)	(6,537)
Total fixed assets for use, net		**4,113**	**3,772**

The depreciation expense was R$ 898 and R$ 866 for the years ended December 31, 2008 and 2007, respectively.

Fixed assets for use above include property given in guarantee of attachment, which totaled R$ 296 and R$ 282 on December 31, 2008 and 2007.

BB entered into leasing contracts for the acquisition of data processing equipment, which are recorded as financial leases under leased equipment. The depreciation of assets acquired is calculated in accordance with the Bank's Policy for the own assets of the Bank. The accumulated depreciation balance of these assets was R$ 796 and R$ 753 on December 31, 2008 and 2007, respectively.

BB maintains operating leases of several properties and items of equipment. The future payments for these operating leases are shown below:

For the year ending:	Value
2009	288
2010	225
2011	176
2012	133
2013	81
After 2013	106
Total	**1,009**

Expenses with rental and operating leases were R$ 304 and R$ 265 on 2008 and 2007, respectively. BB does not hold subleasing contracts.

The amount of interest capitalized in accordance with SFAS 34 – "Capitalization of Interest Cost" on 2008 and 2007 was not relevant.

The amount of non-temporary losses in fixed assets for use recognized in the year ended December 31, 2008 was R$ 17. No permanent loss on fixed assets for use was recognized for the year ended December 31, 2007.

11. Goodwill and Other Intangible Assets

a) Goodwill

The balance of goodwill on investments in the years 2008 and 2007 is R$ 617 and R$ 35 and is allocated in the business segment called "Investments" in 2008, goodwill refers basically to the requisition of Companhia de Seguros Aliança do Brasil (See note 1.d).

In conformity with SFAS 142, no amortization of goodwill was recorded in the years 2008 and 2007.

b) Adjusted Net Income

The net income adjusted to exclude the amortization expenses (net of tax impacts) related to the intangible assets with determined useful life were:

Expressed in millions of Reais, unless otherwise indicated

	Year ended December 31	
	2008	2007
Net income		
Net income reported	9,675	7,984
Amortization/losses of intangible assets with determined useful life	594	448
Adjusted net income	**10,269**	**8,432**

The amount of amortization deductible for fiscal purposes was R$ 542 and R$ 448 for the years ended December 31, 2008 and 2007, respectively.

In conformity with SFAS 144, losses of R$ 52 were recognized in the year ended December 31, 2008. There were no losses in the year ended December 31 2007.

c) Composition of intangible assets

The book value of intangible assets with defined useful life subject to the amortization refers to amounts disbursed for acquisition of rights for rendering of banking services in the amount of R$ 2,328 and R$ 2,261, on December 31, 2008 and 2007 respectively.

The table below shows the activity of intangible assets with defined useful life:

	December 31	
	2008	2007
Balance on January 1	2,522	709
Acquisition of right for the rendering of banking services	2,328	2,261
Amortization during the period	(542)	(448)
Permanent loss	(52)	-
Balance at December 31	**4,256**	**2,522**

The table below presents the composition of the book value of intangible assets with defined useful life:

	December 31	
	2008	2007
Cost	5,591	3,262
Accumulated amortization	(1,283)	(740)
Accumulated permanent loss	(52)	-
Book value	**4,256**	**2,522**

The table below presents the estimated expenses with amortization for the next five years:

For the year ending	Amortization
2009	1,143
2010	1,093
2011	1,020
2012	858
2013	142
Total	**4,256**

Expressed in millions of Reais, unless otherwise indicated

12. Other assets

	December 31	
	2008	**2007**
Imposed differed, liquids [1]	15,349	3,770
Plans of benefits powder-employment	11,490	35,760
Judicial deposits for purposes of taxes and labor legislation issues	6,970	5,963
Prepaid taxes	3,756	3,436
Securities and credits receivable from the National Treasury	2,031	1,465
Prepaid expenses	650	234
Negotiation and intermediation of securities	346	259
Income receivable	315	263
Debtors in purchase of assets	249	308
Advances to employees	210	213
Insurance premium receivable	191	-
Interbank /Interdependence transactions	192	779
Non-operating assets, net of provision for devaluation	167	166
Others [2]	4,361	1,812
Total	**46,277**	**54,428**

(1) Note 17 details deferred taxes,
(2) The amounts contained on the line identified as "Others" are not individually representative.

13. Deposits

The balances of demand and time deposits from clients and of interbank deposits are distributed as follows:

	December 31	
	2008	**2007**
Brazil		
Deposits of clients		
Demand deposits		
Without remuneration	48,318	48,593
With remuneration	2,364	1,946
Time deposits	133,452	77,408
Savings deposits	54,965	45,839
Interbank deposits	7,626	1,214
Total Brazil	**246,725**	**175,000**
Abroad		
Deposits of clients		
Demand deposits		
Without remuneration	1,531	1,207
With remuneration	1,229	956
Time deposits	15,818	7,545
Savings deposits	-	-
Interbank deposits	6,435	3,925
Total Abroad	**25,013**	**13,633**
Total Brazil and Abroad	**271,738**	**188,633**
Total deposits from clients	**257,677**	**183,494**
Total interbank deposits	**14,061**	**5,139**

Expressed in millions of Reais, unless otherwise indicated

The chart below presents the sum and the maturities of domestic time deposits and interbank deposits issued by the Bank with balances above the equivalent to USD 100,000.00:

	Up to 3 months	Above 3 to 6 months	Above 6 to 12 months	Above 12 months	Total
					2008
Time deposits	2,278	718	10,426	42,995	56,417
Interbank deposits	6,342	109	63	8	6,522
Total	**8,620**	**827**	**10,489**	**43,003**	**62,939**

The chart below presents the sum of time deposits by maturity:

	No stated maturity	Up to 3 months	Above 3 to 12 months	Above 1 to 3 years	Above 3 to 5 years	Above 5 years	Total
							2008
Time deposits	51,452	14,408	20,273	17,195	45,941	1	149,270

14. Short-term liabilities

	December 31	
	2008	**2007**
Borrowings	2,086	637
Repass borrowings	665	0
Obligations in foreign currencies	3,270	413
Other	224	84
Total	**6,245**	**1,134**

Other short-term obligations are mostly represented by facilities for the financing of imports and exports performed by Brazilian companies, generally expressed in foreign currency.

On December 31, 2008 and 2007 the interest rates applicable to short-term borrowings were 3,80% per annum and 5,14% per annum, respectively.

15. Long-term liabilities

	December 31	
	2008	**2007**
Repass borrowings	22,436	17,486
Obligations from issuance of securities	4,395	2,191
Financial and development funds	2,094	1,887
Borrowings	2,030	1,818
Subordinated debts	715	535
Other obligations	253	155
Total	**31,923**	**24,072**

(a) Repass borrowings

Repass borrowings represent internal resources from official Brazilian government agencies for loans to Brazilian entities, intended for application, basically, in investments. These onlendings have monthly maturities up to 2025 and are subject to interest and to price-level restatement as follows:

Expressed in millions of Reais, unless otherwise indicated

	Financial charges	December 31 2008	December 31 2007
Federal Treasury		**3,484**	**3,185**
Rural credit		**3,484**	**3,185**
Farming/livestock breeding	TR[1] or 9% p,a,	40	40
Cocoa	TJLP[2] + 0,6% p,a, or 6,35% p,a,	66	45
PRONAF	TMS[3] (available) or 1,0% p,a, or 7,25% p,a, (invested)	3,201	2,895
Recoop	5,75% p,a, to 7,25% p,a,	176	204
Other	-	1	1
BNDES	(i)	**11,168**	**8,713**
Finame	(ii)	**6,585**	**4,866**
Other institutions		**1,199**	**722**
FBB – Fundec II	-	-	9
Funcafé	TR[1] or TMS[3] (available) and TJLP[2] + 3% p,a, or 4% p,a, or 5% p,a, (invested)	1,198	713
Other Miscellaneous		1	-
Total		**22,436**	**17,486**

(1) Referential Interest Rate disclosed by the Central Bank of Brazil.
(2) Long-term Interest Rate fixed by the National Monetary Council and disclosed on a quarterly basis.
(3) Average SELIC Rate disclosed by the Central Bank of Brazil.

(i) BNDES
- Programs with prefixed interest: the interest ranges from 3,75% to 11% per annum
- Programs with TJLP[2] or Exchange Variation: the interest ranges from 0,5% to 5% per annum

(ii) Finame
- Programs with prefixed interest: the interest ranges from 3,7% to 11% per annum
- Programs with TJLP[2] or Exchange Variation: the interest paid to BNDES/Finame and BNDES/EXIM varies from 0,5% to 10,11% p,a,

(b) Obligations from Issuance of Securities

Correspond mainly to securities issued backed by payment orders issued by correspondent bankers located in the United States of America and by our branch in New York to any branch of BB in Brazil ("Remittance Rights"). We sell these flows to "Dollar Diversified Payment Rights Finance Company", which is a Special Purpose Entity - SPE of which we are the main beneficiary in conformity with FIN 46R.

Obligations are paid by the SPE with funds accumulated in its account and resulting from the remittance rights. When the volume corresponding to the next payment of charges and/or amortization in the account of the SPE is reached, the entire surplus sum is automatically released to BB. We are obliged to redeem these securities in specific cases of default or termination of the operations of the SPE.

Expressed in millions of Reais, unless otherwise indicated

Obligations from issuance of securities are detailed below:

	Issuance in original currency	Issuance	Maturity	Currency	Interest rate	December 31 2008	December 31 2007
Securitization of the flow of							
electronic remittances (MT – 100)							
Series 2001-1	US$ 450	Dec/2001	Dec/2008	US $	7,890% p,a,	-	289
Series 2002-1	US$ 300	Jul/2002	Jun/2009	US $	Libor[1] 3m+ 0,60% p,a,	67	152
Series 2002-2	US$ 40	Sep/2002	Sep/2009	US $	7,890% p,a,	13	24
Series 2003-1	US$ 120	Mar/2003	Mar/2010	US $	7,260% p,a,	80	105
Series 2003-2	US$ 250	Dec/2003	Dec/2013	US $	6,550% p,a,	445	392
Series 2008-1	US$ 250	Mar/2008	Mar/2014	US$	Libor(1)3m+0,55% per annum	584	-
Series 2008-2	US$ 200	Sep/2008	Sep/2015	US$	Libor(1)3m+1,2% per annum	468	-
Series 2008-3	US$ 150	Apr/2008	Jun/2018	US$	5,25%a,a,	351	-
Direct fund raising							
"Global medium-term notes" program	R$ 350	Jul/2007	Jul/2017	R$	9,75%a,a,	330	294
Deposit Certificate- Euro CD	US$ 7	Nov/2007		US$	9,75% to 13,84% p,a,	7	-
Deposit Certificate- Euro CD	US$ 21	Nov/2007		US$	1,05% to 5,02% p,a,	850	41
Deposit Certificate- Euro CD	US$ 2	Dec/2007		US$	2,08% to 2,037% p,a,	14	-
Hybrid Capital and Debt Instruments							
Perpetual notes	US$ 500	Jan/2006	Undetermined	US$	7,95% p,a,	1,186	894
Total						4,395	2,191

(1) London interbank offered rate.

(c) Financial and Development Funds

Financial and Development Funds have an indefinite maturity period.

	Financial charges	December 31 2008	December 31 2007
Program for Formation of Equity of Public Officials - PASEP	TR [1] + 6% p,a,	1,706	1,524
Other funds		388	363
Total		2,094	1,887

(1) Referential Interest Rate disclosed by the Central Bank of Brazil.

(d) Borrowings

Borrowings mainly represent resources obtained from international credit institutions to finance projects of interest of the Brazilian government. These borrowings mature up to 2015 and are restated by fixed interest of 8.36 p.a. to 6.92 p.a.

(e) Subordinated debts

	Issuance on Original currency	Issuance	Maturity	Currency	Interest rate	December 31 2008	December 31 2007
Subordinated debts	US$ 300	Sep/2004	Sep/2014	US $	8.5% p.a.	715	535

(f) Other obligations

	Maturity in 1 year	2 years	3 years	4 years	5 years	After 6 years	Total
Other obligations	78	6	59	37	27	46	253

Expressed in millions of Reais, unless otherwise indicated

(g) Maturities of long-term obligations:

	December 31	
	2008	**2007**
Due in up to 1 year	12,969	8,029
Above 1 to 2 years	5,592	4,449
Above 2 to 3 years	3,032	2,379
Above 3 to 4 years	2,282	1,658
Above 4 to 5 years	1,911	1,236
Above 5 years (1)	6,137	6,321
Total	**31,923**	**24,072**

(1) Including resources with indefinite maturity.

16. Other liabilities

	December 31	
	2008	**2007**
FCO - Fundo Constitucional de Financiamento do Centro-oeste (Constitutional fund for financing of the middle-west) (6)	11,057	9,477
Post-employment benefit plans (1)	6,306	6,214
Advances received by exchange contract	6,116	5,074
Contingent liabilities (2)	6,090	3,866
Derivative financial instruments	3,609	1,718
Receipts on account of third parties	2,998	2,577
Charges and labor obligations	2,908	2,373
Liabilities with credit card brands	2,545	2,083
Income tax	2,147	2,311
Dividends and bonuses payable	1,202	506
Technical Reinsurance and insurance provision (7)	1,135	-
Other taxes	811	457
Provision for sundry payments	690	536
Liabilities for official agreements and payment services	448	956
Contracts of assumption of liabilities	239	247
Deferred income (3)	233	226
Allowance for loss on guarantees provided (4)	58	60
Liabilities for securities dealings	15	6
Foreign exchange portfolio, net	7	128
Other (5)	7,187	8,941
Total	**55,801**	**47,756**

(1) Note 27 details the post-employment benefit plans granted by BB.
(2) Note 25 (b) details the contingent liabilities of BB.
(3) Around R$ 15 on 2008 and R$ 12 on 2007 of the total deferred income shown in this note refers to the premium received in guarantee contracts that are being gradually recognized as income. Note 24 (b) details credit linked financial instruments not included in the Balance Sheet.
(4) Note 24 (b) details the liabilities formed in keeping with credit linked financial instruments, in compliance with *SFAS 5* and with *FIN 45*.
(5) The amounts contained on the line identified as "Others" are not individually significant.
(6) FCO was created by Law 7,827/89, which regulated Article 159-I-"c" of the Federal Constitution, Its administration is performed by Banco do Brasil, the Ministry of National Integration and the Executive Council of FCO - CONDEL/FCO.
(7) Amount related to Companhia de Seguros Aliança do Brasil, which was first consolidated in 2008.

Expressed in millions of Reais, unless otherwise indicated

17. Income and social contribution taxes

The Bank and each one of its subsidiary companies present, in each year, different corporate income tax returns. In Brazil, federal tax charges on income include income tax (IR), with a rate of 15% plus a surcharge of 10% and social contribution on net income (CSLL). The rate of CSLL was 9% from 01/01/2003 to 4/30/2008. As of May/2008, the rate of CSLL was raised to 15%.

The amounts of Income Tax and of Social Contribution presented in the Statement of Income are comprised of:

	December 31	
	2008	**2007**
Current		
Domestic	(2,518)	(2,871)
Abroad	(35)	(37)
Total Current	(2,553)	(2,908)
Deferred		
Domestic	1,116	(191)
Abroad	-	(82)
Total Deferred	1,116	(273)
Income tax and social contribution	**(1,437)**	**(3,181)**

The chart below shows the expenses or benefits of Income Tax and of Social Contribution on comprehensive income:

	December 31	
	2008	**2007**
Income tax and social contribution	(1,437)	(3,181)
Income tax and social contribution on other comprehensive income	13,429	(3,337)
Income tax and social contribution on comprehensive income	**11,992**	**(6,518)**

The income tax and social contribution expenses presented in the consolidated financial statements are reconciled with the legal rates, as follows:

	December 31	
	2008	**2007**
Income before taxes	11,112	11,165
Income tax and social contribution expense at the legal rates (1)	**(3,778)**	**(3,796)**
Deductibility of interest on own capital	526	455
Charges on non-taxable/(deductible) gain/(loss) on foreign investments	(404)	(138)
Charges on equity in the earnings of unconsolidated entities	257	271
Charges on FCO income	219	183
Charges resulting from the difference of rates	(192)	108
Charges on nontaxable income/(nondeductible expenses)	1,935	(264)
Income tax and social contribution expense	**(1,437)**	**(3,181)**

(1) Applied at the percentage of 34% (IR + CSLL). The increase of the percentage to 40%, as of May/2009, is included in the item of charges resulting from the difference of rates.

Expressed in millions of Reais, unless otherwise indicated

The main components of the deferred income tax and social contribution accounts presented in the consolidated balance sheet have the following origins:

	December 31	
	2008	**2007**
Deferred tax assets		
Sum of tax losses of IR/negative bases of CSLL	212	151
Social contribution to offset	135	733
Tax credits abroad	11	9
Accounting losses abroad	-	-
Negative mark to market of securities	257	128
Writ of mandamus (1)	4,932	4,868
Allowances for loan losses	5,484	3,469
Allowance for contingencies	2,436	1,315
Allowance with post-employment benefit plans	4,241	2,113
Allowance with charges and labor obligations	370	338
Other timing differences	1,642	1,559
Total deferred tax assets	**19,720**	**14,683**
Provision for non-realization of deferred tax assets	-	-
Total deferred tax assets after provision for non-realization	**19,720**	**14,683**
Deferred tax liabilities		
From actuarial gains	(4,384)	(10,557)
Positive mark to market of securities	(220)	(204)
Restatement of judicial deposits	-	-
Adjustment of the financial leasing portfolio	(170)	(64)
Monetary correction of fixed assets for use	(72)	(67)
Other timing differences	475	(21)
Total deferred tax liabilities	**(4,371)**	**(10,913)**
Net deferred tax assets, included in other assets (Note 12)	**15,349**	**3,770**

(1) The tax credits that had been written off since the beginning of the lawsuit, referring to the full carry forward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax, were reactivated in contra account to the re-formation of provision relating to the portion of 70% of IRPJ and of CSLL.

The offsetting of tax loss in Brazil is not subject to a limitation period, yet is limited to 30% of the taxable income determined, in each fiscal year, according to the Brazilian tax legislation. The Bank has been offsetting accumulated tax loss of income tax and social contribution since February/1998 with 100% of the amount of income tax and social contribution due. The fraction of 70%, above the legal limit, is being offset backed by a judicial deposit in an amount equal to that of the offset portion. This procedure (offsetting of tax credits based on judicial deposit) resulted in the suspension of the enforceability of income tax and of social contribution due, by court verdict. The final decision about the suit depends on judgment of the Federal Supreme Court.

The sum of tax credits corresponding to the portion of 70% is R$ 6,555 on December 31, 2008 and R$ 6,045 on December 31, 2007.

The Bank considers it unnecessary to form provision on the judicial deposits made, as it understands that even in the case of an unfavorable ruling by the Federal Supreme Court, there is no prescription of the right to offsetting of taxes, which will be performed through the generation of future taxable income.

FASB Interpretation nº 48 ("FIN 48"), "Accounting for Uncertainties in Income Tax ", on January 1, 2007. As a result of the implementation of FIN 48, no increase or reduction in the obligations for fiscal benefits was recognized.

The Bank does not have unrecognized fiscal benefits. In case of uncertainty regarding the deductibility of expenses or non-incidence on revenues, the Bank first offers the amount relating to taxation and analyzes the matter in depth until it obtains certainty about the existence or non-existence of the fiscal benefit, if the Bank concludes that it is entitled to the fiscal benefit, it requests the offsetting or the return of the amounts paid inappropriately.

The income tax returns of Banco do Brasil and its subsidiaries were filed in Brazilian federal jurisdiction. Based on the current tax regulations, as of December 31, 2008, the income tax returns from years prior to 2004 will no longer be subject to inspections by the tax authorities.

Expressed in millions of Reais, unless otherwise indicated

18. Shareholders' equity

a) Capital and rights of shareholders

i) Capital

The fully paid-up Capital in the amount of R$ 13,780 and R$ 13,212 on December 31, 2008 and 2007, respectively, is divided into 2,568,186,485 common shares represented in dematerialized form, with no par value, of which 2,567,036,120 are in the market. The Federal Treasury is the controlling shareholder (65.60%).

On April 25, 2007, the General Meeting of Shareholders of the Bank decided to split the shares (BBAS3) representing the capital stock in the proportion of 1:3, i.e. two new shares for every existing share, The split was performed on the stock exchange on June 4, 2007. There was no split of the series C warrants (BBAS13). The valid proportion was altered in the case of potential exercising of this security for 3,131799 common shares for each subscription warrant.

The Shareholders' Meeting of October 23, 2007 approved a proposal forwarded by the Board of Directors for bringing the exercise of "C" Bonuses forward, allowing the holders of these bonuses, at their sole discretion, to exercise their right in the period between November 1 and 30, 2007, observing the conditions approved at the Extraordinary General Meeting of June 17, 1996. Said rescheduling proposal did not overrule the right of exercise in the period originally established, from March 31, 2011 to June 30, 2011, for the remaining "C" Warrants.

On December 6, 2007, Banco do Brasil informed the result of the exercise of subscription of "C" Bonuses: "C" Warrants exercised (BBAS13): 21,148,315; Underwriting Receipt (BBAS11): 66,232,261; "C" Warrants not exercised: 5,880,431.

The settlement of the Secondary Public Offering of Common Shares Issued by Banco do Brasil took place on December 19, 2007. According to procedures provided for in CVM Instruction 400, of December 29, 2003, the Offering was conducted in an unorganized over-the-counter market, in Brazil, under the joint coordination of BB Banco de Investimento S.A.. Banco UBS Pactual S.A. and Deutsche Bank S.A.. The Offering initially comprised 104,660,869 ordinary, registered, represented in dematerialized form with no par value, issued by Banco do Brasil S.A. of which 89,617,391 shares were held by BNDES Participações S,A, – BNDESPAR, already included the 17,443,478 additional shares and the 15,043,478 shares held by Caixa de Previdência dos Funcionários do Banco do Brasil –Previ, at the price of R$ 29,25 per share. Furthermore, on January 19, 2008, UBS Pactual fully exercised an overallotment option of 13,082,608 ordinary shares, of which 10,826,086 supplementary shares were held by BNDESPAR and 2,256,522 were held by Previ. Taking into account the shares and the supplementary shares, the total number of distributed shares was 117,743,477 and the total value of the Offering was R$ 3,444.

The closing of the Public Offering occurred on January 22, 2008, presenting the following data:

Type of investors	Number of investors	Number of shares
Individuals	115,013	41,731,849
Businesses [(1)]	2,544	23,302,067
Foreign Investors	272	51,267,602
Persons Related to BB and/or to the Offering	4,014	1,264,722
Other	180	177,237
Total offering	**122,023**	**117,743,477**

(1) Includes Investment Clubs, Investment Funds, Private Pensions, Financial Institutions and other Businesses.

The Shareholders' Meeting of January 24, 2008 approved a capital increase for conversion of the Subscription Receipts (BBAS11) into shares. On February 13, 2008, the Central Bank of Brazil approved the increase of R$ 501 in the capital stock resulting from the rescheduling of the exercise of "C" Subscription Warrants, decided on by the General Meeting of Shareholders of January 24, 2008.

As of March 3, 2008, the receipts resulting from the subscription of these bonuses (BBAS11) ceased to be traded and were automatically converted into common shares (BBAS3). Said proposal does not abolish the exercise right in the period originally foreseen, from March 31 to June 30, 2011, for the remaining warrants.

Shareholdings at December 31, 2008 of all those who held, directly or indirectly, more than 5% of the Bank capital:

Shareholder	Total Shares	% Total
Federal Treasury	1,684,809,058	65.60%
Banco do Brasil Employees Retirement Fund (PREVI)	266,253,012	10.37%
BNDES Participações S,A, – BNDESPar [(1)]	64,005,679	2.50%
Treasury stock	1,150,365	0.04%
Other shareholders	551,968,371	21.49%
Total	**2,568,186,485**	**100.00%**

(1) Linked to the controller.

Expressed in millions of Reais, unless otherwise indicated

Development of the interests referred to in the previous subparagraph in the last year:

	December 31	
	2008	**2007**
Federal Treasury	1,684,809,058	1,660,334,789
Banco do Brasil Employees Retirement Fund (PREVI)	266,253,012	265,946,012
BNDES Participações S,A, – BNDESPar (1)	64,005,679	64,368,679
Treasury stock	1,150,365	-
Other shareholders	551,968,371	485,299,789
Total	**2,568,186,485**	**2,475,949,269**

(1) Linked to the controller.

The remaining balance of subscription warrants is equivalent to 27,028,746 "C" warrants, which have guaranteed the right of exercise up to the periods originally established - March 31 to June 30, 2006 and March 31 to June 30, 2011, respectively, The market value of the share on December 31, 2008 was R$ 14,68 (R$ 21,33 per one thousand shares on December 31, 2007).

b) Allocated retained earnings

The allocated retained earnings include the following reserves, formed according to Law 6,404/76, our by-laws or by decision of the shareholders.

i) Capital reserves

The capital reserves recorded on December 31, 2008 and 2007 are substantially comprised of goodwill generated in the subscription of shares.

ii) Revenue reserves

Reserves for business expansion, statutory reserves and legal reserve are recorded in the revenue reserve account, under the terms of article 193 of Law 6,404/76, the Bank should set aside 5% of the net income of each fiscal year for the legal reserve, up to the limit of 20% of the capital stock, after absorbing the accumulated deficit, Reserves can be used to increase the capital or to absorb losses. The chart below evidences the composition of the balance of reserves:

	December 31	
	2008	**2007**
Legal reserve	1,789	1,349
Statutory reserves	9,420	4,577
Expansion reserves	6,219	6,219
Total	**17,428**	**12,145**

c) Accumulated other comprehensive income

The balance of the accumulated other comprehensive income account exhibits the following composition:

	December 31	
	2008	**2007**
Unrealized gains on securities available for sale, net of taxes	689	1
Unrealized losses on post-retirement benefit plans, net of taxes	(3,654)	16,429
Total	**(2,965)**	**16,430**

We show below the sums that comprise the account Other accrued comprehensive income on post-retirement benefit plans (explanatory note 27):

	31 de dezembro	
	2008	**2007**
Unrealized gains (losses) on Previ retirement plan 1	(4,296)	26,819
Unrealized losses on the Previ informal retirement plan	(174)	(167)
Unrealized losses on the Cassi health plan	(1,619)	(1,759)
(-) Tax effect on unrealized gains (losses) of post-retirement benefit plans	2,435	(8,464)
Total	**(3,654)**	**16,429**

d) Unallocated retained earnings

Net income determined according to accounting practices adopted in Brazil is totally distributed in the form of dividends and of the formation of revenue reserves. Hence the balance presented in this account, in the financial statements prepared according to "US GAAP", represents the effect of the differences between accounting principles generally accepted in the United States of America and accounting practices adopted in Brazil.

Expressed in millions of Reais, unless otherwise indicated

The net income of the period was distributed according to the accounting practices adopted in Brazil as follows:

	December 31	
	2008	2007
Net income	8,803	5,059
Interest on Own Capital and Dividends	(2,610)	(1,568)
Constitution of reserves	(6,193)	(3,491)

e) Interest on Own Capital and Dividends

The Bank approved a payment policy that guarantees to shareholders the semi-annual distribution of the compulsory minimum dividend equivalent to twenty-five percent (25%) of the adjusted income, as defined by law and in Article 43 of the Bank's By-laws.

The Extraordinary General Meeting of December 28, 2006, approved the alteration of Article 43 of the Bank's By-laws, which determines that the payment of the dividend and/or interest on own capital should be declared by the Board of Officers and approved by the Board of Directors. This Article permits the distribution of interim dividends in shorter than semi-annual periods.

At a meeting held on March 19, 2007, the Board of Directors approved the fixing, for the period of 2007, of the payout rate equivalent to the minimum percentage of forty percent (40%) of the Net Income, complying with the policy of dividends and/or interest on own capital on a quarterly basis, in conformity with Article 43 of the Bank's By-laws. This policy continued to be adopted in the period of 2008.

In the year 2008, Interest on Own Capital attained the sum of R$ 1,548, which was paid with financial charges equivalent to the Selic rate, from balance sheet closing up to the day of the effective payment, in accordance with accounting practices adopted in Brazil, deducting installments paid during the quarterly periods.

19. Fee income

	December 31	
	2008	2007
Tariffs on sundry services in checking account	2,882	2,597
Third-party asset management	1,979	1,696
Collection tariffs	1,044	957
Credit cards	1,173	855
Settlement and transfer of funds systems	682	750
Services provided to related companies	443	423
Administration of funds and collection of loans of the Federal, State and Municipal governments	283	280
Marketing of Insurance	253	468
Registration services	194	117
Guarantees provided	58	40
Official services fees and social welfare	40	139
Other (1)	1,844	1,646
Total	**10,875**	**9,968**

(1) The amounts contained on the line identified as "Other" are not individually representative.

20. Administrative expenses

	December 31	
	2008	2007
Expenses with communications	983	871
Outsourced services	805	611
Data processing	676	714
Transport	539	479
Surveillance and security services	523	489
Services of the financial system	426	379
Rental and operating leases	304	265
Water, electricity and gas	271	272
Expenses with the occupancy of fixed assets for use	266	234
Advertising and publicity	244	265
Promotions and public relations	179	152
Specialized technical services	168	86
Traveling	136	108
Office supplies and alike	103	111
Other (1)	813	999
Total	**6,436**	**6,035**

(1) The amounts contained on the line identified as "Others" are not individually representative.

Expressed in millions of Reais, unless otherwise indicated

21. Other non-interest income and expenses

	December 31	
	2008	**2007**
Other non-interest income		
Recovery of charges and expenses	421	493
Foreign Currency gains in the conversion of investments	324	-
Gains and losses in the sale of permanent investments	39	178
Reversal of provisions	5	37
Contingent earnings - taxes paid in error	-	147
Other (1)	2,366	926
Total	**3,155**	**1,781**
Other non-interest expenses		
Taxes and rates	2,222	2,174
Contingencies	1,664	516
Provision for other assets without loan characteristics	213	299
Service failures, fraud and holdups	210	213
Contribution to the credit guarantor fund	205	158
Losses with conversion of investments abroad	-	277
Other (1)	2,861	1,762
Total	**7,375**	**5,399**

(1) The amounts contained on the line identified as "Others" are not individually representative.

22. Statement of the earnings per share calculation

The basic earnings per share is calculated by the division of net income by the weighted average of the number of common shares in the market in each one of the years presented. The weighted average is determined with a basis on the periods in which the shares were in the market.

The diluted earnings per share is based on the same net income as the basic earnings per share and the weighted average of the number of shares in the market, plus the number of shares that would be issued assuming the exercise of the subscription warrants.

The basic and diluted earnings per share were calculated as shown below:

	December 31	
	2008	**2007(1)**
Net income in R$ (Numerator)	9,675,337,593	7,984,366,183
Weighted average of the basic shares in the market (Denominator)	2,548,098,464	2,475,949,269
Basic net income per share (in R$)	3,80	3,22
Weighted average of the diluted shares in the market (Denominator)	2,577,649,367	2,560,597,869
Net income per diluted share (in R$)	3,75	3,12

(1) Quantities adjusted to reflect the share split of 1:3 that occurred in June/2007.

The value of the dividend and interest on own capital by share is calculated by the division of the dividends and interest on own capital by the weighted average of the number of common shares in the market in each one of the years presented. The weighted average is determined with a basis on the periods in which the shares were in the market:

	December 31	
	2008	**2007(1)**
Dividends/Interest on own capital in R$ (Numerator)	3,521,147,468	2,023,247,656
Weighted average of the shares in the market (Denominator)	2,548,098,464	2,475,949,269
Dividend and interest on own capital per share (in R$)	1,38	0,82

(1) Quantities adjusted to reflect the share split of 1:3 that occurred in June/2007.

23. Fair value of financial instruments

According to SFAS 107 - "Disclosure about of the Fair Value of Financial Instruments", the fair value of a financial instrument is the value at which the instrument could be exchanged in a normal transaction between or among the stakeholders, and that is not a judicial or liquidation sale. The market quotation, when available, is adopted as the best estimate of the fair value of the financial instruments. In the absence of a market quotation for certain financial instruments, the fair values of these instruments were calculated with a basis on the amount of the discounted cash flows or other valuation techniques. These techniques can be significantly affected by the assumptions used, such as the discount rate and the estimate of future cash flows. The estimated fair value obtained by means of these techniques cannot be compared with independent markets and, in many cases, cannot be realized upon the immediate settlement of the financial instrument. Therefore the net realizable values can be different from the estimates presented below.

Expressed in millions of Reais, unless otherwise indicated

The methodologies used to estimate the fair value of the different types of financial instrument are informed below.

a) Cash and bank deposits

The book values presented in the consolidated balance sheet under cash and bank deposits are approximately equivalent to their market values,

b) Interbank deposits and deposits received under security repurchase agreements

The fair value of interbank deposits and repurchase agreements with prefixed rates was determined through the discount of estimated cash flows adopting interest rates equivalent to the current contracting rates for similar operations. For the prefixed operations, the book values were considered approximately equivalent to the fair value.

	2008		2007	
	Book value	**Fair value**	**Book value**	**Fair value**
Interbank deposits	32,697	28,589	27,315	45,044
Money market repurchase agreements	95,152	95,160	43,405	43,405
Total	**127,849**	**123,749**	**70,720**	**88,449**

c) Securities and derivative financial instruments

The fair value of these financial instruments is shown in their respective notes (notes 4, 5, 6 and 24).

d) Loans

The fair values were estimated for groups of similar loans based on the type of loan, quality of credit and due date. The fair value of prefixed loans was determined through the discount of estimated cash flows adopting interest rates equivalent to the current contracting rates for similar operations. For post-fixed loans, the book values were considered approximately equivalent to the fair value.

As regards loans in abnormal course, we consider that their past values minus their respective provisions adequately represent their fair values.

The chart below shows the book values and estimated fair values for the loans:

	2008		2007	
	Book value	**Fair value**	**Book value**	**Fair value**
Brazil				
Commercial				
Industrial and others	69,233	71,199	51,466	51,746
Import financing	1,396	1,378	874	877
Export financing	24,609	27,380	14,031	14,543
Individual				
Overdraft accounts	3,005	3,005	2,357	2,357
Loans and financing	35,399	29,391	25,118	22,910
Credit cards	8,262	8,262	6,253	4,151
Rural credit				
Agroindustrial financing	12,627	12,270	7,416	7,640
Rural financing - free investments	1,863	1,863	87	87
Rural financing- compulsory investments	27,375	26,097	22,253	22,013
Rural financing - investments transferred and refinanced	21,843	21,400	19,594	18,771
Public Sector	845	870	543	549
Leases	2,974	2,974	1,221	1,221
Total Brazil	**209,431**	**206,089**	**151,213**	**146,865**
Total Abroad	**15,130**	**15,197**	**11,372**	**12,261**
Total loans	**224,561**	**221,286**	**162,585**	**159,126**
Provision for losses	(13,709)	(13,709)	(10,202)	(10,202)
Total loans, net	**210,852**	**207,577**	**152,383**	**148,924**

Expressed in millions of Reais, unless otherwise indicated

e) Other assets

The book values presented in the consolidated balance sheet in the group of Other Assets are approximately equivalent to their market values.

f) Deposits

The fair value of the prefixed deposits with pre-established maturities was calculated through the discount of the difference between the contractual cash flows and the rates currently practiced in the market for instruments with similar maturity periods. For post-fixed deposits and those with maturities of up to 30 days, the book value was considered approximately equivalent to the fair value.

The chart below presents the book values and the estimated fair values for the deposits:

		2008		2007
	Book value	**Fair value**	**Book value**	**Fair value**
Brazil				
Deposits of clients				
Demand deposits				
Without remuneration	48,318	48,318	48,593	48,593
With remuneration	2,364	2,364	1,946	1,946
Time deposits	133,452	133,457	77,408	77,401
Savings deposits	54,965	54,965	45,839	45,839
Interbank deposits	7,626	7,625	1,214	1,214
Total Brazil	**246,725**	**246,729**	**175,000**	**174,993**
Abroad				
Deposits of clients				
Demand deposits				
Without remuneration	1,531	1,531	1,207	1,207
With remuneration	1,229	1,229	956	956
Time deposits	15,818	17,445	7,545	7,600
Interbank deposits	6,435	7,615	3,925	3,953
Total Abroad	**25,013**	**27,820**	**13,633**	**13,716**
Total deposits	**271,738**	**274,549**	**188,633**	**188,709**

g) Obligations related to committed operations

The fair value of obligations related to committed operations with prefixed rates was determined through the discount of estimated cash flows adopting interest rates equivalent to the current rates of contracting for similar operations. For the prefixed operations, the book values were considered approximately equivalent to the fair value.

The chart below presents the estimated fair value for the obligations related to committed operations:

		2008		2007
	Book value	**Fair value**	**Book value**	**Fair value**
Obligations related to Committed Operations	91,402	90,479	72,227	72,227
Total obligations related to committed operations	**91,402**	**90,479**	**72,227**	**72,227**

h) Short-term liabilities

Part of our short-term liabilities have specific characteristics and represent exclusive portfolio of Banco do Brasil, without similar items in the market. Their fair values are equivalent to the book value because there are no variations in the interest rate. Each new inflow of resources has exclusive rates and characteristics, which confers a distinction between total liabilities and previous inflows. The operations contemplated in the item "Liabilities from borrowings" had their fair values calculated by means of the calculation of discounted cash flow, which considers the interest rates offered in the market for obligations with similar maturities, risks and terms.

Accordingly, the chart below shows the book values and the fair values for short-term obligations:

		2008		2007
	Book value	**Fair value**	**Book value**	**Fair value**
Borrowings	2,086	2,086	637	633
Repass borrowings	665	665	-	-
Obligations in foreign currencies	3,270	3,270	413	413
Other	224	224	84	84
Total Short-term Liabilities	**6,245**	**6,245**	**1,134**	**1,130**

Expressed in millions of Reais, unless otherwise indicated

i) Long-term Liabilities

The chart below shows the book values and the fair values for long-term liabilities:

	2008		2007	
	Book value	Fair value	Book value	Fair value
Repass borrowings	22,436	22,436	17,486	17,487
Liabilities from issuance of securities	4,395	4,028	2,191	2,288
Borrowings	2,030	2,030	1,818	1,818
Financial development funds	2,094	2,094	1,887	1,887
Subordinated debts	715	715	535	535
Other liabilities	253	252	155	156
Total long-term liabilities	**31,923**	**31,555**	**24,072**	**24,171**

j) Other liabilities

The book values presented in the consolidated balance sheet in the group of Other Obligations are approximately equivalent to their market values.

k) Levels of measurement at fair value - SFAS 157

SFAS 157 describes the three levels of information that should be used for measurement at fair value:

Level 1 - Prices quoted (not adjusted) in active markets for identical assets and liabilities.

Level 2 - Other information available, excepting the information of Level 1, where the prices quoted (not adjusted) are for similar assets and liabilities, in non-active markets, or other information that is available or that can be corroborated by information observed in the market to substantiate the integrity of the terms of assets and liabilities.

Level 3 - Information not available on account of little or no market activity and that is significant for definition of the fair value of the assets and liabilities.

On December 31, 2008 and 2007, Banco do Brasil does not have financial instruments measured at fair value, classified as level 3 (pricing model with significant information unavailable).

Assets and liabilities measured at fair value in the balance sheet are presented as follows:

			December 31, 2008
	Book Values	Prices quoted in active markets for identical assets - Level 1	Prices quoted in non-active markets for similar assets - Level 2
Assets	**59,033**	**56,757**	**2,276**
Trading assets, at fair value	20,828	18,552	2,276
Securities	18,182	18,182	-
Derivative financial instruments (1)	2,646	370	2,276
Securities available for sale, at fair value	38,205	38,205	-
Liabilities	**(3,279)**	**(630)**	**(2,649)**
Funding with hedge (3)	330	-	330
Derivative financial instruments (2)	(3,609)	(630)	(2,979)

(1) Includes future contracts relating to securities dealings, which are recorded in Other Assets;
(2) Amounts recorded in Other liabilities; and
(3) Amounts recorded in Long-term liabilities.

			December 31, 2007
	Book Values	Prices quoted in active markets for identical assets - Level 1	Prices quoted in non-active markets for similar assets - Level 2
Assets	**57,818**	**56,668**	**1,150**
Trading assets, at fair value	19,754	18,604	1,150
Securities	18,562	18,562	-
Derivative financial instruments (1)	1,192	42	1,150
Securities available for sale, at fair value	38,064	38,064	-
Liabilities	**(1,428)**	**25**	**(1,452)**
Funding with hedge (3)	290	-	290
Derivative financial instruments (2)	(1,718)	25	(1,742)

(1) Includes future contracts relating to securities dealings, which are recorded in Other Assets;
(2) Amounts recorded in Other liabilities; and
(3) Amounts recorded in Long-term liabilities.

Expressed in millions of Reais, unless otherwise indicated

24. Financial instruments not included in the balance sheet

a) Derivatives

We trade derivative financial instruments with several counterparts to manage our global exposures and to help our clients manage their own risk exposures.

Future contracts of interest rate and of foreign currencies and commitments to purchase or sell a financial instrument on a future date, at a price or yield contracted, and can be settled in cash or by delivery of the asset. The par value represents the face value of the related instrument and is a result of the quantity of these goods multiplied by the future price on the date of the contract. Daily settlements of the differences generated by the variation of prices in the cash market are performed for all the instruments.

Forward interest contracts are contracts executed to perform an exchange of payments on a specific future date, based on the market fluctuation of interest rates between the trading date and the settlement date. Forward foreign exchange contracts represent contracts for the exchange of the currency of a country for the currency of another, considering a price contracted on an agreed future settlement date.

Interest and exchange rate swap contracts are commitments to settle in cash on a future date or dates, the difference between two specific financial indexes applied on a referential amount of principal. The swap contracts presented correspond mainly to DI (rate of interbank deposits) swap contracts, TR (referential interest rate), prefixed rates and foreign currencies.

Options contracts grant the buyer, through the payment of a premium, the right, but not the obligation, to purchase or sell, within a limited period, a financial instrument, including a flow of interest, foreign currencies, commodities and shares, at a contracted price that can also be settled in cash, based on the differential between or among specific indexes.

The market and credit risks associated with these products, as well as the operational risks, are similar to those related to other types of financial instrument. Market risk is the exposure created by the potential fluctuation in interest rates, exchange rates, quotation of commodities, prices quoted in the stock market and other amounts, and it is estimated in accordance with the type of product, the volume of operations, the period and conditions of the contract and the inherent volatility.

Credit risk is the exposure to loss in the event a counterpart does not honor its obligation. The exposure to credit risk in future contracts is minimized due to the daily cash settlement and totaled R$ 21 and R$ 3 on December 31, 2008 and 2007, respectively. The swap contracts expose us to the credit risk in the event the counterpart does not have the capacity or willingness to perform its contractual obligations. Our exposure in credit risk in swaps is R$ 1,521 and R$ 1,123 on December 31 , 2008 and 2007, respectively. We are exposed to the credit risk to the extent of premiums paid in options acquired. The exposure to credit risk, associated with the acquisition of options was R$ 1 on December 31, 2008. The exposure to credit risk associated with the long positions in forward operations was R$ 752 and R$ 24 on December 31, 2008 and 2007, respectively. The recognition in net income of unrealized gains in these operations depends on Management's evaluation in relation to the possibility of their receipt.

The table below shows the referential value of derivative financial instruments, as well as the sums recorded in the balance sheet accounts:

	December 31			
	2008		2007	
	Contract value	**Credit risk**	**Contract value**	**Credit risk**
Interest rates				
Future contracts	12,593	-	5,398	-
Swap contracts	1,637	28	7,702	1,013
Currencies				
Future contracts	3,813	21	532	3
Swap contracts	6,160	1,493	4,111	110
Forward contracts				
Purchase commitments	1,324	752	736	24
Sales commitments	3,628	-	3,784	-
Finished goods				
Options contract				
Purchases	4	1	8	1
Sales	4	-	8	-
Shares				
Options Contract				
Sales	-	-	-	-
Other assets				
Swap contracts	-	-	177	-
Total credit risk		2,295		1,151

The resulting receivables are included in "Trading securities, at fair value" and the payables are included in "Other obligations - derivative financial instruments ".

Expressed in millions of Reais, unless otherwise indicated

Portfolio of derivatives designated as hedge of market risk

Banco do Brasil, seeking protection against possible oscillations in interest and exchange rates on securities issued in the international capitals market, in the amount of R$ 350, contracted derivative operations (Cross Currency Interest Rate Swap), currency and interest rate swap, in the same volume, term and rate, with maturity between 5 and 10 years. The Hedge was evaluated as effective, at 100%, on December 31, 2008, where the proof of effectiveness of the hedge corresponds to the interval from 80% to 125%. The breakdown of the portfolio is represented as follows:

Counterpart: IF - Financial Institution

By index

	December 31, 2008			December 31, 2007		
Over-the-counter Trading - Swap Contracts	**Reference value**	**Cost**	**Market value**	**Reference value**	**Cost**	**Market value**
Liability position	**350**	**(87)**	**(62)**	**320**	**23**	**(54)**
Foreign currency and interest	350	(87)	(62)	320	23	(54)

b) Credit Linked Financial Instruments

Banco do Brasil uses credit linked financial instruments to satisfy the financial requirements of its clients. The Bank issues loan concession agreements, standby letters of credit and other guarantees.

The table below shows the contractual amounts relating to the credit linked financial instruments at the end of each year:

	December 31	
	2008	**2007**
Loan concession agreements	114,062	96,799
Sureties and guarantees	8,435	3,665
Standby letters of credit	1,010	780
Total	**123,507**	**101,244**

Loan concession agreements are contracts for a given period of time to offer a loan to a client that has fulfilled predetermined contractual conditions, including the limits assigned to overdraft account and credit card operations. Standby letters of credit and sureties and guarantees are conditional commitments, generally to guarantee the performance of a client before a third party in loan contracts.

In credit linked financial instruments, the contractual sum of the financial instrument represents the maximum potential of credit risk in case the counterpart fails to fulfill the terms of the contract. The vast majority of these commitments matures without being withdrawn. As a result, the total sum is not representative of the effective future exposure to credit risks or liquidity requirements originating from these commitments. To decrease the credit risk, we require the contracted party to deliver, as collateral, cash resources, securities or other assets to pledge the credit facility, similar to the pledge required for our loans.

We present below a summary of the maximum disbursement amount of the financial guarantees and other above mentioned letters of credit, according to FIN 45.

	December 31	
	2008	**2007**
	Maximum Disbursement (referential values)	**Maximum Disbursement (referential values)**
Sureties and guarantees	8,435	3,665
Standby letters of credit	1,010	780
Total	**9,445**	**4,445**

In compliance with SFAS 5 and FIN 45, to sustain losses arising from the potential need to honor obligations under contracts of the types specified above, we formed allowance for loss on guarantees provided in the amounts of R$ 58 on 2008 and R$ 60 on 2007, Upon the concession of the guarantees, we also recognized a liability relating to the premium receivable, in the amounts of R$ 15 on 2008 and R$ 12 on 2007. Said sums are being gradually recognized as income during the guarantee contract period.

25. Responsibilities assumed and contingent liabilities

a) Assets under Management

Banco do Brasil manages several investment funds offered to institutional investors and to the public in general. These funds are not included in the consolidated balance sheet. In general, the management fee is charged monthly, in average amounts of 0,69% per year on the market value of the funds managed. These funds amounted to a total R$ 419,820 and R$ 372,413 as of December 31, 2008 and 2007, respectively.

Expressed in millions of Reais, unless otherwise indicated

Portfolio management performed on account of pension plans accounts, companies, clients of the banking segment and foreign investors is executed based on tariffs negotiated and investment parameters determined. The management fees are generally charged as a percentage of the assets under management and vary in accordance with the composition and performance of the specific portfolio.

b) Contingent Liabilities - Probable

The provisions for probable losses from legal process are recorded in accordance with the guidelines from SFAS 5 – "Accounting for Contingencies" and "FIN 14", at the best estimated values, wich take into consideration the opinion of Banco do Brasil's internal and external legal advisors, the nature of the claims, the complexity, the position adopted by the courts for claims of a similar nature and Management's experience. Thus, management understands that the provision recorded is sufficient to cover probable losses from the respective legal processes.

The legal processes are continually monitored to evaluate the developments, the position adopted by the courts and the appropriateness of the estimates used.

There are no on going administrative processes arising from non compliance with the norms from the National Financial System, wich could result in the payment of significant fines or put at risk the equity and Financial Statements of Banco do Brasil.

The provision recorded for contingencies whose chances of loss were classified as probable totaled R$ 6,090 and R$ 3,866 as of December 31, 2008 and 2007, respectively.

The activities in provision for contingent liabilities were as follows:

	December 31	
	2008 (1)	**2007**
Tax Provision		
Opening balance	135	89
Recordings	261	58
Reversals	(35)	-
Payments	(10)	(12)
Balances incorporated	268	-
Closing balance	**619**	**135**
Provision for Labor Claims		
Opening balance	2,470	2,374
Recordings	1,438	543
Reversals	(181)	-
Payments	(489)	(447)
Balances incorporated	54	-
Closing balance	**3,292**	**2,470**
Civil and Social Security Provision		
Opening balance	1,261	891
Recordings	1,011	430
Reversals	(42)	-
Payments	(111)	(60)
Balances incorporated	60	-
Closing balance	**2,179**	**1,261**
Total	**6,090**	**3,866**

(1) The amounts of provisions as of December 31, 2008, included the amount of R$ 1,257, which was allocated from additional provisions that occurred in March 31, 2009, relating to the changes in the methodology of classifications for probable contingencies.

Banco do Brasil is subject to challenges by the tax authorities in relation to the taxes due. These challenges can alter the accrual period or the amount of taxable income or deductions. Probable losses recognized in our consolidated financial statements are related to litigation issues relating to the legality of certain taxes and contributions.

Issues of tax litigations considered possible are related to notices of tax assessment due to payment shortfall in the amount of R$ 2,371 in 2008 and R$ 2,060 in 2007. The expectations on the decision regarding these issues are that they will not have a significant impact on the financial position or on the results of the Bank's operations.

Banco do Brasil is a party to labor lawsuits filed by employees, The probable losses recognized in our consolidated financial statements represent compensation lawsuits and supplementations related to overtime and additional compensation for night work, Labor claims classified as possible, amount to R$ 419 in 2008 and R$ 413 in 2007.

c) Contingent Liabilities – Likely

Labor Lawsuits

Labor lawsuits rated as probable do not require the recording of provisions and are composed of a number of claims, such as: indemnities, overtime, additional compensation owing to Function and Representation, among others.

Expressed in millions of Reais, unless otherwise indicated

Tax Lawsuits

Issues involving tax lawsuits deemed to be probable do not require the recording of provisions and are composed of a number of claims, such as: ISSQN (service tax), Payment of taxes and other Tax Liabilities arising from the federal tax authorities and the official social security. The key contingencies arose from::

- Tax assessment notices issued by the federal tax authorities owing to non-withholding and non-payment of income tax on bonuses paid to employees.

- Tax assessment notices issued by the federal tax authorities and the official social security in connection with non-payment of contributions due on bonuses, conversions into cash, and employee profit-sharing.

- Tax assessment notices issued by the local government fiscal authorities in Belo Horizonte and São Paulo, in connection with payment collections of ISSQN tax.

Civil Lawsuits

Among the civil lawsuits, those that stand out are the suits that seek to claim the difference between actual inflation and the index employed to correct short -term investments during the periods covered by the Economic Plans (Plano Collor, Plano Bresser, and Plano Verão).

The balances of contingent liabilities rated as probable were the following:

	December 31	
	2008	**2007**
Labor Lawsuits	419	413
Fiscal Lawsuits	2,371	2,060
Civil Lawsuits	2,597	1,860

26. Regulatory aspects

Banco do Brasil is subject to the regulations of the Central Bank of Brazil, which publishes several rules referring to the monetary and credit policies for financial institutions operating in Brazil. Moreover, the Superintendence of Private Insurance - SUSEP issues regulations that affect insurance operations, private pension and capitalization plans.

Additionally, the Central Bank of Brazil establishes the minimum amount of compulsory capital, the credit limits, the accounting practices and the amount of compulsory deposits required, and also obliges banks to fulfill a rule similar to the Basel Agreement with respect to the adequacy of capital.

The BIS Ratio of December 31, 2008 was determined according to the criteria established by CMN Resolutions n.º 3,444/2007 and n.º 3,490/2007, which refer to the calculation of the Referential Equity Amount (RE) and of the Referential Equity Amount Required (PRE), respectively.

The chart below shows, on December 31, 2008 and 2007, the calculation of the BIS Ratio, pursuant to regulations in force and applied as of July 2008, based on the financial statements presented in Brazil:

	2008	**2007**
RE Referential Equity Amount (1)		
Level 1	31,201	-
Level 2	12,190	-
Total	**43,391**	**34,900**
PRE - Referential Equity Amount Required (2)	31,500	24,605
Credit risk	30,980	-
Market risk	119	-
Operational Risk	401	-
Ratio capital/risk weighted assets - %	1,38	1,42
Surplus regulatory capital on the minimum regulatory capital required	11,891	10,295

(1) Based on the requirements of the Central Bank of Brazil. In 2007, there was no segregation between levels 1 and 2.

(2) The minimum regulatory capital required represented 15,15% and 15,60% on December 31 , 2008 and 2007, respectively.

Expressed in millions of Reais, unless otherwise indicated

The Central Bank of Brazil also limits the amount of investments in unconsolidated companies, property, plant and equipment and intangible assets held by the Bank to 70% (2000 - 80%) of the referential equity amount, December 31, from 2008 and from 2007, our fixed asset ratios and the surplus capital in relation to the maximum fixed asset ratio were as follows:

	2008	2007
Fixed asset ratio - %	11,68	13,17
Surplus capital in relation to the fixed asset ratio	16,628	12,853

27. Supplementary Retirement and Pension Plans and Other Employee Benefits

a) Social security

We made contributions to the National Institute of Social Security - INSS as an employer in the amounts of R$ 950 and R$ 896 in the years ended December 31, 2008 and 2007, respectively, to fund retirement plans, pensions and other benefits granted by the Social Security managed by the Brazilian Government.

b) Supplementary pension

We sponsor retirement benefit plans for employees of Banco do Brasil S.A. aiming at supplementing retirement and pension paid by the INSS of the Brazilian Government.

Commitments to supplementary retirement involve the following benefit plans/groups of participants, which include employees hired by Banco do Brasil S,A, in Brazil, thus not related to employees hired directly by the Bank's overseas branches and subsidiaries: (i) a defined benefit plan (called "Plan 1"), formed by a group of employees that joined the company up to April 14, 1967 ("Group 67") and by another group of employees hired between April 15, 1967 and December 23, 1997 ("Post-67 Group"); (ii) a defined contribution plan (called "Plano Previ Futuro"), formed by employees hired as of December 24, 1997; (iii) a defined benefit plan (called "Informal Plan"), formed by employees hired up to April 14, 1967 and not participants of Plan 1.

The Bank's contributions for coverage of the supplementary retirement benefits of Plan 1 and of Plano Previ Futuro are converted in favor of Caixa de Previdência dos Funcionários do Banco do Brasil ("Previ"), which is a not-for-profit Closed Supplementary Pension Entity ("EFPC"), organized in accordance with the Brazilian social security legislation to manage these supplementary retirement plans and to pay benefits to the participants, Previ manages and controls, separately for each benefit plan, the related assets required for the payment of retirement and pension,

The Bank fully assumed the obligations inherent to the funding necessary for coverage of the supplementary retirement benefits of the participants of Group 67, members of Plan 1, pursuant to conditions stipulated in a contract executed on December 24, 1997 with Previ, The Bank performed its obligation in full, with no commitment remaining after December 31, 2006.

The Informal Plan does not have related assets and it is not managed by Previ. The obligation relating to this plan is fully recognized as a liability of the Bank.

We present in the table below the variations in the obligations with the defined supplementary retirement benefit plans, calculated by independent actuaries in accordance with the rules of SFAS 87 and SFAS 158, and the variations in the assets of plan 1:

	Plan 1		Informal Plan	
	2008	2007	2008	2007
Variation in the liabilities of benefits				
Liabilities of the benefit at the beginning of the year	35,286	32,935	1,666	1,634
Cost of the retirement service	168	174	-	-
Cost of interest	3,710	3,514	168	166
Benefits paid	(3,797)	(2,490)	(294)	(294)
Actuarial losses	2,687	1,153	199	160
Liabilities of the benefit at the end of the year	**38,054**	**35,286**	**1,739**	**1,666**
Variation in the assets of the plans				
Fair value of the plan assets at the beginning of the year	71,046	54,424	-	-
Paid benefits	(3,797)	(2,490)	(294)	(294)
Contributions of the plan participants	-	-	-	-
Employer's contributions	-	2	294	294
Actual return of the plan assets	(17,703)	19,110	-	-
Fair value of the plan assets at the end of the year	**49,546**	**71,046**	**-**	**-**
Situation of the plan coverage	11,492	35,759	(1,739)	(1,666)
Actuarial gains (losses) in Other comprehensive income	(4,296)	26,818	(174)	(167)
Net amount recognized in the statement of income	**15,788**	**8,941**	**(1,565)**	**(1,499)**

Expressed in millions of Reais, unless otherwise indicated

Plan 1 presented actuarial surplus of R$ 11,492 and R$ 35,759 as of December 31, 2008 and 2007, respectively. This result is calculated with a basis on *Tábua de Mortalidade* AT 83 (Life table) and interest rate of 6.3% per annum, which are the assumptions that best reflect the actuarial situation of the benefit plan, This asset was totally recognized in conformity with the determinations of SFAS 87 and 158

The amounts recognized in the financial statements, in the salaries and charges account, consist of:

	Plan 1		Informal Plan	
	2008	2007	2008	2007
Other accumulated total revenues	(8,941)	(5,145)	1,499	1,470
Cost of the benefits recognized	(6,847)	(3,796)	66	29
Net amount recognized	**(15,788)**	**(8,941)**	**1,565**	**1,499**

Liabilities with the defined benefit plans are as follows:

	Plan 1		Informal Plan	
	2008	2007	2008	2007
Liabilities with projected retirement benefits	38,054	35,286	1,739	1,666
Liabilities with accumulated retirement benefits	44,270	35,082	1,739	1,666
Fair value of the plan assets	49,546	71,046	-	-

The components of the net cost of benefits for the years are as follows:

	Plan 1		Informal Plan	
	2009	2008	2009	2008
Costs of services	(205)	(168)	-	-
Costs of interest	(4,032)	(3,710)	(194)	(168)
Expected return of the plan assets	5,317	7,645	-	-
Amortization of net gain (loss)	(1,581)	3,080	-	-
Net cost of benefit in the period	**(501)**	**6,847**	**(194)**	**(168)**

The economic hypotheses adopted for execution of the actuarial calculations were formulated considering the long-term periods established for their maturation. The economic assumptions adopted for the actuarial calculations were the following:

	Plan 1 and informal Plan	
	2008	2007
Average discount rate	6.30% p.a.	6.30% p.a.
Expected long-term average rate of return of the plan assets	6.30% p.a.	6.30% p.a.
Average growth rate of remuneration	1.32% p.a.	1.47% p.a.
Interest Rate of Assets	11.18% p.a	10.98% p.a
Interest Rate of the Liabilities	11..8% p.a	10.99% p.a

The average allocation percentages of the assets of Plan 1, by category, were as follows:

	Plan 1	
	2008	2007
Variable Income	60.27	64.13
Fixed Rate	37.04	30.62
Real Estate Investments	1.41	2.73
Loans and financing	1.28	2.52
Total	**100.00**	**100.00**

We present the contributions expected for the next years:

	Plan 1		Informal Plan	
	2008	2007	2008	2007
Contributions to the plan	-	-	307	279

We present below the expected benefit payments for the next years:

	Plan 1	Informal Plan
2009	3,973	307
2010	4,026	298
2011	4,078	293
2012	4,130	289
2013	4,181	287
2014 a 2018	21,152	1,195

Expressed in millions of Reais, unless otherwise indicated

The Bank's expenses with contributions in favor of supplementary retirement plans, with defined contribution characteristic, attained the following amounts:

	2008	2007
Plano Previ futuro	118	90

The fiscal year of Previ closes annually as of December 31, the date on which its financial statements are published and its actuarial assets and liabilities revalued.

The legal limits and qualification of investments adopted by Previ for the years presented are those established in the National Monetary Council (CMN) resolutions 3,121, of September 25, 2003, 3,142, of November 27, 2003 and 3,305, of July 29, 2005. We present below a chart showing the investment policy registered at the Secretariat of Supplementary Pension Funds ("SPC").

Segment	2008			2009		
	Minimum	Maximum	Segment	Minimum	Maximum	Segment
Fixed Income - Low Credit Risk	20.00 %	100.00 %	28.10 %	25.00 %	100.00 %	36.98 %
Fixed Income - Medium Credit Risk	0 %	4.00 %	1.00 %	0 %	2.00 %	1.00 %
Variable Income - W/ IGC BOVESPA (1)	0 %	50.00 %	36.34 %	0 %	50.00 %	41.71 %
Variable Income - Without IGC BOVESPA	0 %	35.00 %	30.00 %	0 %	35.00 %	14.66 %
Real Estate - Rental and Income	0 %	11.00 %	1.94 %	0 %	8.00 %	2.58 %
Real Estate - Investment Funds	0 %	0.50 %	0.20 %	0 %	0.50 %	0.11 %
Real Estate - Other Investments	0 %	0.50 %	0.20 %	0 %	0.50 %	0.10 %
Borrowing	0 %	15.00 %	0.72 %	0 %	15.00 %	1.72 %
Loans and financing	0 %	10.00 %	1.50 %	0 %	10.00 %	1.14 %

(1) The Index of Shares entailing Differentiated Corporate Governance (IGC) – Aims at measuring a notional portfolio composed of companies that present good levels of corporate governance.

The Investment Portfolio of Plan 1 appears, in various aspects, unqualified in relation to limits imposed by CMN Resolution 3121, which governs the investments of pension funds. The Resolution presented two alternatives for the funds to qualify : they either adapt by the end of 2005 or submit a Qualification Plan to be analyzed and approved by the Secretariat of Supplementary Pension Funds ("SPC") and by CMN.

Previ opted to present a qualification plan, with request for a longer term (up to 2012) to make the necessary adjustments, especially in the percentages of interest in certain companies and investment funds. On November 24, 2004, CMN approved the qualification plan of Investments prepared by Previ with the official stamp of SPC.

Previ executes risk management by means of its market risk, asset and liability management ("ALM") and Corporate committees, which define the risk management strategies and involve various areas of Previ, with the main purpose of describing the uncertainty regarding the economic value of its assets.

c) Fundação Codesc de Seguridade Social - Fusesc

As a result of the merger of Besc S,A, and of Besc S.A. - Crédito Imobiliário (Bescri) by Banco do Brasil, as December 31,2008, the Bank took on the liabilities of sponsor of the following Private Pension Plans:

Multifuturo I, of Defined Contribution (CD) - maintained by Fusesc, deployed in June 2002 with the migration of the participants of the Defined Benefit Plan. This plan involves 6,204 employees, with 3,127 participants (3,081 retirees, 46 pensioners) and 3,077 active employees.

Defined Benefit Plan (BD) - maintained by Fusesc, since 1978, structured in contributive solidarity with other companies, geared toward their employees and dependents. This plan involves 1,373 employees, with 1,368 participants (1,014 retirees, 354 pensioners) and 05 active employees. As of December 31, 2008 the plan presented actuarial surplus of R$ 53.

The normal contribution of the sponsors, as of December 2000, was defined as the amount of contributions due by the active and assisted participants, fulfilling the contributive parity between normal contributions of sponsors and participants, complying with the provisions of Article 5 of Constitutional Amendment 20/1998.

In addition to the funds transferred to Fusesc to settle the deficit of Plano Multifuturo I, there is provision in the amount of R$ 1, as of December 31, 2008, relating to the actuarial deficit of active employees that remained in the Defined Benefit Plan. The amount of the provision was defined in conformity with the contract executed with Fusesc on July 23, 2002, Clause 2 "a" Item 2.2. as follows: "For those that do not migrate, only the supplementary transfer of funds required for coverage of the actuarial deficit will be subscribed, in proportion to their contributions (Sponsor and participants) up to the taking effect of Constitutional Amendment 20".

Tábua de mortalidade AT-83 was adopted in the actuarial determination of the Defined Benefit Plan (BD), base date December 31, 2008.

Expressed in millions of Reais, unless otherwise indicated

The main assumptions used in the actuarial evaluation:

Specification	December 31, 2008
Real interest rate used for discounting actuarial liabilities to present value	6.30% p.a.
Real expected yield on plan assets	6.30% p.a.
Future salary growth nominal	2.83% p.a.
Inflation – annual	6.48% p.a.

d) Health Care

The Bank also has a post-employment benefit plan other than pension with the purpose of providing a health care plan ("Health Plan"). This plan is managed by Caixa de Assistência dos Funcionários do Banco do Brasil ("Cassi") and sponsored by the Bank, exclusively including employees hired by Banco do Brasil S.A. in Brazil. As of December 31, 2008 this plan had 172,456 participants, 91,508 of which active employees and 80,948 retirees and pensioners.

Cassi is a non-profit social welfare institution, with the main purpose of granting assistance for the coverage of expenses with the promotion, protection, recovery and rehabilitation of the health of members and their registered beneficiaries

Up to the 1st half of 2007, the Bank contributed monthly with a sum equivalent to one and a half times (1.5) the total sum collected from the members (active and retired) and from the pension beneficiaries of employees hired up to December 23, 1997. In relation to employees hired after this date, the sum corresponded to one time (1x) the total amount collected. On account of the Agreement between the Bank and Cassi, the employer contribution of 4.5% of the total payroll or of the total retirement or pension plan benefit was deployed in November 2007 for all the groups, with effect retroactive to January. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

In the aforesaid agreement it was established that the Bank's contribution to Cassi will not exceed the limit of 4.5% of the total payroll and of the retirement and pension plan benefits. In this manner, the Bank is not responsible for the coverage of any amount that exceeds this limit.

The Health Plan includes a global limit ("limit") on the liabilities under the responsibility of the Bank. Hence, the participant is responsible for the amount that exceeds this limit. Likewise, no increase or decrease in the liabilities of the benefits is noted upon the variation of 1 percentage point upwards or downwards, in the rates of mean inflation trends.

The actuarial method adopted, according to SFAS 106, to calculate the expense for the next year and the items of actuarial aspects disclosed is the projected unit credit. This method defines that the benefit cost will be allocated during the active career of the employee in the period between the date of his/her joining the company and the first date of full enforceability of the benefit.

The health plan does not have guarantee assets. The variations in the Bank's liabilities related to the plan, calculated by independent actuaries in accordance with SFAS 106, are presented in the table below:

	Health Care	
	2008	**2007**
Variation in the obligation of benefits		
Liabilities of the benefit at the beginning of the year	4,548	3,563
Cost of the retirement service	38	41
Interest cost	482	379
Benefits paid	(334)	(296)
Impact on recognition of the previous cost of the service	-	460
Actuarial gains (losses)	(56)	401
Liabilities of the benefit at the end of the year	**4,678**	**4,548**
Variation in the assets of the plans		
Fair value of the plan assets at the beginning of the year	-	-
Paid benefits	(334)	(296)
Employer's Contributions	334	296
Fair value of the plan assets at the end of the year	-	-

The amounts recognized in the financial statements, in the salaries and charges account, consist of:

	Health Care	
	2008	**2007**
Actuarial Losses at the beginning of the year	2,789	2,268
Actuarial Losses recognized in the period	158	521
Actuarial Losses at the end of the year	**2,947**	**2,789**

Expressed in millions of Reais, unless otherwise indicated

The liabilities with the defined benefit plan are as follows:

	Health Care Plan	
	2008	**2007**
Liabilities with projected retirement benefits	4,678	4,548
Liabilities with accumulated retirement benefits	4,678	4,548
Fair value of the assets of the plans	-	-

The components of the net cost of the benefits for the following periods are shown in the table below:

	Health Care Plan	
	2009	**2008**
Service costs	61	38
Interest costs	542	483
Loss amortization	62	74
Amortization of the cost of the previous service	10	11
Net cost of the benefit in the period	**675**	**606**

The economic assumptions adopted for the actuarial calculations were the following:

	Health Care Plan	
	2008	**2007**
Liabilities with the retirement benefits:		
Average interest rate (1)	6.30% p.a.	6.30% p.a.
Rate of salary growth (1)	0.95% p.a.	0.84% p.a.
Cost of the net benefit of the period:		
Average discount rate	6.30% p.a.	6.30% p.a.
Expected long-term average rate of return of the plan assets (1)	6.30% p.a.	6.30% p.a.
Average growth rate of remuneration	0.95% p.a.	0.84% p.a.

(1) The rates informed are the actual rates, above inflation;

We present below the expected contributions for the next periods:

	Health Care Plan	
	2009	**2008**
Contributions to the plan	372	317

We present below the expected benefit payments for the next years:

Expected benefit payments:	
2009	372
2010	390
2011	409
2012	437
2013	463
2014 to 2018	2,659

28. Related party transactions

a) Transactions with consolidated or non-consolidated entities.

The account balances with regard to transactions among the Bank's consolidated companies are excluded from the Consolidated Financial Statements. Hence, transactions with related parties include the non-consolidated companies that are assessed by means of the Equity Accounting Method (MEP), in addition to Banco do Brasil's shareholders. As to the major shareholder, the National Treasury, Federal Government transactions and those of related entities are included, such as for example publicly-owned companies, mixed economy companies, and other federal entities which do banking business with BB.

The Bank has banking transactions with related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchase transactions. There are also service provision and guarantee agreements.

These transactions with related parties are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

The resources allocated to funds and programs originating from the onlending of Official Institutions are listed in note 15.

Expressed in millions of Reais, unless otherwise indicated

The funds invested in Federal Government Bonds are described in notes 4, 5 and 6.

b) Other transactions with related parties

We do not make loans to our senior managers or to members of our board of directors, as this practice is restricted in every financial institution under the supervision of the Central Bank of Brazil.

We contribute regularly to Fundação do Banco do Brasil - FBB, as provided for in article 29, indentation XII, of the Bank's By-laws. The contributions are intended to conduct the Foundation's social purposes and are limited to 5% of the Bank's operating income.

c) Summary of transactions with related parties

Banco do Brasil's balance of assets and liabilities with related parties are as follows:

	2008	2007
Assets		
Securities	-	347
Loans	2,193	3,290
Receivables from related companies	-	58
Total	**2,193**	**3,695**
Liabilities		
Demand deposits	1,455	2,350
Remunerated time deposits	5,136	3,317
Commitments	2,526	3,607
Total	**9,117**	**9,274**

Below follows the sum of the key expenses and revenues with related parties:

	2008	2007
Expenses with funding	902	938
Interest and service fee revenues	(694)	(557)
Total	**208**	**381**

Expressed in millions of Reais, unless otherwise indicated

29. International transactions

The table below contains information about the assets and results segmented by geographical areas. The classification was performed with a basis on the location of the branches and subsidiaries of the financial group in which the assets and the transactions are recorded.

					2008
	Assets	**Income(1)**	**Expense(1)**	**Income (loss) before taxes**	**Net income (loss)**
International Transactions					
Europe	7,185	641	(292)	349	327
North America (Mainly United States)	15,948	372	(229)	143	144
South and Central America (Mainly Grand Cayman, excluding Brazil)	10,807	677	(972)	(295)	(295)
Asia (Mainly Japan)	615	120	(92)	28	14
Total international	**34,555**	**1,810**	**(1,585)**	**225**	**190**
Domestic operations (Brazil)	453,626	68,137	(57,250)	10,887	9,485
Total	**488,181**	**69,947**	**(58,835)**	**11,112**	**9,675**
Share of international operations in the total above	**7.08%**	**2.59%**	**2.69%**	**2.02%**	**1.96%**

(1) Income includes interest income and non-interest income. Expense involves interest expense, allowance for loan losses and non-interest expenses.

					2007
	Assets	**Income(1)**	**Expense(1)**	**Income (loss) before taxes**	**Net income (loss)**
International Transactions					
Europe	5,748	779	(805)	(26)	(43)
North America (Mainly United States)	7,118	606	(347)	259	258
South and Central America (Mainly Grand Cayman, excluding Brazil)	9,856	871	(975)	(104)	(187)
Asia (Mainly Japan)	497	81	36	117	99
Total international	**23,219**	**2,337**	**(2,091)**	**246**	**127**
Domestic operations (Brazil)	354,378	50,509	(39,590)	10,919	7,857
Total	**377,597**	**52,846**	**(41,681)**	**11,165**	**7,984**
Share of international operations in the total above	**6.15%**	**4.42%**	**5.02%**	**2.20%**	**1.59%**

(1) Income involves interest income and non-interest income. Expense involves interest expense, allowance for loan losses and non-interest expenses.

30. Segment information

The information by segment was prepared according to Brazilian accounting practices and was compiled with a basis on the reports used by Management in the appraisal of the segment's performance and decision making regarding the allocation of funds for investment and other purposes. Management uses a variety of information for these purposes, including financial and non-financial information and financial information measured on different bases, inclusive of information prepared in accordance with the corporation law.

In addition to the specific segments mentioned below, BB also participates in other economic activities, such as leasing, brokerage operations, technology, tourism, purchasing pools and securitization of credits, which were grouped, for the purposes of this note, in the column called "Other".

a) Banking Segment

The banking segment is accountable for the most significant portion of our net income, preponderantly obtained in Brazil, and involves a large diversity of products and services, such as deposits, loans and services that are made available to clients by means of a wide variety of distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by BB by means of a network and dedicated and specialized customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

b) Investment Segment

Deals are performed in this segment in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, besides equity interest and the rendering of financial services.

The financial operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties.

The existing equity interests are concentrated at our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income, and the rendering of services to associated companies.

c) Leasing Segment

Products of leases of effects in general and of vehicles to our clients are offered in this segment by means of our network of branches and distribution channels.

d) Technology Segment

The products and services traded in the technology segment include the supply and maintenance of hardware and software, as well as document printing services, microfilming, telemarketing and others.

e) Tourism Segment

The products and services offered in this segment include the sale of plane tickets, vacation package deals, hotel reservations, travel insurance and vehicle rental.

f) Others

The other segments are not individually significant, according to the quantitative limits of SFAS 131, and were aggregated in the "others" column.

Expressed in millions of Reais, unless otherwise indicated

Financial Statements of the Management Result by Segment of BB - Year 2008

	Banking	Investments	Leasing	Technology	Tourism	Other	Eliminations	Consolidated Management
Interest income	55,217	81	306	9	1	624	(1,021)	55,217
Interbank deposits	5,767	-	1	-	1	75	(714)	5,130
Repurchase agreements	7,219	-	1	-	-	86	(85)	7,221
Trading securities	2,108	39	-	-	-	71	-	2,218
Securities available for sale	4,687	42	-	2	-	35	-	4,766
Securities held to maturity	2,033	-	-	-	-	-	-	2,033
Loans	32,190	-	303	-	-	328	(178)	32,643
Other interest income	1,213	-	1	7	-	29	(44)	1,206
Interest expenses	(32,187)	(93)	(220)	(19)	(1)	(447)	968	(31,999)
Deposits of clients	(14,466)	-	-	-	-	(25)	-	(14,491)
Interbank deposits	(456)	(93)	(211)	-	-	(343)	706	(397)
Obligations related to committed operations	(9,038)	-	-	-	-	(2)	72	(8,968)
Short-term liabilities	(5,408)	-	-	(19)	(1)	-	172	(5,256)
Long-term liabilities	(2,451)	-	(9)	-	-	-	11	(2,449)
Other interest expenses	(368)	-	-	-	-	(77)	7	(438)
Interest income, net	23,030	(12)	(86)	(10)	-	177	(53)	23,218
Expense with allowance for loan losses	(7,119)	-	(57)	-	51	9	(129)	(7,296)
Net interest income, after allowance for loan losses	15,911	(12)	29	(10)	-	186	(182)	15,922
Non-interest income	13,896	1,502	7	372	51	2,596	(2,680)	15,744
Sale of services	9,286	210	4	361	-	1,223	(209)	10,875
Gains (losses) on trading securities and securities available for sale	(1,478)	1	-	-	-	(3)	(2)	(1,482)
Net gains (losses) in unconsolidated entities	193	961	-	-	-	(5)		1,149
Net gains (losses) in consolidated entities	2,081	212	-	-	-	5	(2,297)	1
Insurance premiums	-	-	-	-	-	1,052	-	1,052
Net gains (losses) in foreign exchange operations	356	-	-	-	-	(3)	15	368
Other non-interest income	3,458	118	3	11	51	327	(187)	3,781
Non-interest expenses	(19,705)	(143)	(29)	(365)	(45)	(1,326)	444	(21,169)
Salaries and vacation pay	(6,107)	(20)	(2)	(35)	(14)	(89)	1	(6,266)
Administrative expenses	(6,180)	(37)	(3)	(124)	(8)	(467)	385	(6,434)
Amortization of other intangible assets	(1,195)	(25)	-	-	-	-	-	(1,220)
Depreciation	(791)	-	(2)	(6)	-	(4)	-	(803)
Other non-interest expenses	(5,432)	(61)	(22)	(200)	(23)	(435)	58	(6,115)
Insurance claims and variation of insurance provisions	-	-	-	-	-	(331)	-	(331)
Income before taxation on Profit	10,102	1,347	7	(3)	6	1,456	(2,418)	10,497
Income tax and social contribution on income	(1,298)	(50)	(17)	(1)	(1)	(434)	-	(1,801)
Net income	8,804	1,297	(10)	(4)	5	1,022	(2,418)	8,696
Total assets	498,370	3,799	2,919	290	71	21,733	(42,655)	484,527

Expressed in millions of Reais, unless otherwise indicated

Financial Statements of the Management Result by Segment of BB - Year 2007

	Banking	Investments	Leasing	Technology	Tourism	Other	Eliminations	Consolidated Management
Interest income	38,707	61	176	3	-	568	(735)	38,780
Interbank deposits	542	-	1	1	-	198	(571)	171
Repurchase agreements	4,281	5	1	-	-	63	(73)	4,277
Trading securities	1,024	-	-	-	-	-	-	1,024
Securities available for sale	4,556	56	-	-	-	(1)	-	4,611
Securities held to maturity	2,309	-	-	-	-	18	-	2,327
Loans	24,917	-	174	-	-	290	(67)	25,314
Other interest income	1,078	-	-	2	-	-	(24)	1,056
Interest expenses	(18,262)	(17)	(118)	(26)	(1)	(441)	744	(18,121)
Deposits of clients	(9,296)	-	-	-	-	(43)	-	(9,339)
Interbank deposits	(910)	(17)	(109)	-	-	(394)	566	(864)
Obligations related to committed operations	(7,898)	-	-	-	-	(4)	78	(7,824)
Short-term liabilities	1,583	-	-	(26)	(1)	-	66	1,622
Long-term liabilities	(1,402)	-	(9)	-	-	-	34	(1,377)
Other interest expenses	(339)	-	-	-	-	-		(339)
Interest income, net	20,445	44	58	(23)	(1)	127	9	20,659
Expense with allowance for loan losses	(4,287)	-	(7)	-	-	92	(22)	(4,224)
Net interest income, after allowance for loan losses	16,158	44	51	(23)	(1)	219	(13)	16,435
Non-interest income	12,326	945	9	354	41	1,253	(1,358)	13,570
Sale of services	8,279	193	7	319	-	1,212	(41)	9,969
Gains (losses) on trading assets and securities available for sale	1,217	5	-	-	-	3	(7)	1,218
Net gains (losses) in unconsolidated entities	(10)	648	-	-	-	(5)	-	633
Net gains (losses) in consolidated entities	1,280	35	-	-	-	(14)	(1,301)	-
Net gains in foreign exchange operations	294	-	-	-	-	5	-	299
Other non-interest income	1,266	64	2	35	41	52	(9)	1,451
Non-interest expenses	(21,861)	(101)	(23)	(334)	(50)	(714)	60	(23,023)
Salaries and vacation pay	(10,181)	(20)	(2)	(28)	(19)	(53)	1	(10,302)
Administrative expenses	(5,586)	(23)	(2)	(88)	(11)	(380)	20	(6,070)
Amortization of other intangible assets	(448)	(2)	-	-	-	-	-	(450)
Depreciation	(730)	-	(3)	(19)	-	(2)	-	(754)
Other non-interest expenses	(4,916)	(56)	(16)	(199)	(20)	(279)	39	(5,447)
Income before taxation on Profit	6,623	888	37	(3)	(10)	758	(1,311)	6,982
Income tax and social contribution on income	(1,564)	(73)	(4)	-	3	(286)	-	(1,924)
Net income	5,059	815	33	(3)	(7)	472	(1,311)	5,058
Total assets	364,654	3,144	1,213	286	69	12,807	(26,566)	355,607

Expressed in millions of Reais, unless otherwise indicated

Reconciliation of the Management Result by Segments with the Consolidated Result in accordance with US GAAP - 2008 and 2007

The table below provides the reconciliation of statement of income items of operations by segments that differ from the Consolidated Income Statement in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP), for the years ended on December 31, 2008 and 2007.

	Consolidated Management Statement 2008	Adjustments	Consolidated US GAAP 2008	Consolidated Management Statemente 2007	Adjustments	Consolidated US GAAP 2007
Interest Income	55,217	7	55,224	38,780	2	38,782
Interbank deposits	5,130	-	5,130	171	-	171
Money market repurchase agreements	7,221	(1)	7,220	4,277	1	4,278
Trading securities	2,218	-	2,218	1,024	-	1,024
Securities available for sale	4,766	9	4,775	4,611	2	4,613
Securities held to maturity	2,033	-	2,033	2,327	-	2,327
Loans	32,643	-	32,643	25,314	-	25,314
Other interest income	1,206	(1)	1,205	1,056	(1)	1,055
Interest expenses	(31,999)	(2)	(32,001)	(18,121)	(2)	(18,123)
Deposits of clients	(14,491)	-	(14,491)	(9,339)	-	(9,339)
Interbank deposits	(397)	1	(396)	(864)	(1)	(865)
Obligations related to Committed Operations	(8,968)	(1)	(8,969)	(7,824)	-	(7,824)
Short-term liabilities	(5,256)	(1)	(5,257)	1,622	(1)	1,621
Long-term liabilities	(2,449)	-	(2,449)	(1,377)	(1)	(1,378)
Other interest expenses	(438)	(1)	(439)	(339)	1	(338)
Interest income, net	23,218	5	23,223	20,659	-	20,659
Expense with allowance for loan losses	(7,296)	10	(7,286)	(4,224)	(238)	(4,462)
Interest income, net after allowance for loan losses	15,922	15	15,937	16,435	(238)	16,197
Non-interest income	15,744	(1,021)	14,723	13,570	494	14,064
Sale of services	10,875	-	10,875	9,969	(1)	9,968
Gains (losses) on trading assets and securities available for sale	(1,482)	-	(1,482)	1,218	1	1,219
Equity in the earnings of unconsolidated entities	1,149	(394)	755	633	164	797
Insurance premiums	1,052	-	1,052	-	-	-
Net gains (losses) in consolidated entities	1	(1)	-	-	-	-
Net gains in foreign exchange operations	368	-	368	299	-	299
Other non-interest income	3,781	(626)	3,155	1,451	330	1,781
Non-interest expenses	(21,169)	1,621	(19,548)	(23,023)	3,927	(19,096)
Salaries and vacation pay	(6,266)	2,953	(3,313)	(10,302)	3,954	(6,348)
Administrative expenses	(6,434)	(2)	(6,436)	(6,070)	35	(6,035)
Insurance claims and variation of insurance provisions	(331)	-	(331)	-	-	-
Amortization of other intangible assets	(1,220)	25	(1,195)	(450)	2	(448)
Depreciation	(803)	(95)	(898)	(754)	(112)	(866)
Other non-interest expenses	(6,115)	(1,260)	(7,375)	(5,447)	48	(5,399)
Income before taxation on Profit	10,497	615	11,112	6,982	4,183	11,165
Income tax and social contribution	(1,801)	364	(1,437)	(1,924)	(1,257)	(3,181)
Net income	8,696	979	9,675	5,058	2,926	7,984
Total assets	484,527	3,654	488,181	355,607	21,990	377,597

The main component disclosed in the "Adjustments" column refers to the differences between the accounting methods used in the management reports versus the accounting methods used in the Consolidated Income Statement, built in accordance with US GAAP.

Expressed in millions of Reais, unless otherwise indicated

31. Subsequent events

a) Acquisition of the equity control of Nossa Caixa

On 12.19.2008, Banco do Brasil and the State Government of São Paulo entered into a contract of sale of shares for acquisition of the controlling interest of Banco Nossa Caixa S.A., by means of the sale of 76,262,912 common shares, belonging to the State, equivalent to 71.2499527144% of the total capital stock and of the voting capital in the same proportion, to Banco do Brasil. The transaction was authorized by the São Paulo State Legislature, under the terms of State Law n.º 13,286 of 12.18.2008, and approved by the Extraordinary General Meeting of Shareholders of Banco do Brasil on 12.23.2008.

The price stipulated for sale was R$ 5,386,496 thousand (R$ 70.63 per share), payable in 18 monthly installments of R$ 299,250 thousand, calculated with a basis on an economic/financial evaluation, considering the prospects of future profitability and the discounted cash flow of Banco Nossa Caixa, in conformity with article 224 of Law n.º 6,404/1976.

In compliance with article 254-A of Law n.º 6,404/1976 and with the Regulation of the New Market of Bovespa, there will be a Public Offering of Acquisition of Shares, ensuring that the minority shareholders of Nossa Caixa are entitled to sell their shares, at least, under the same terms offered to the State Government of São Paulo. On 01.19.2009, Banco do Brasil S.A. filed with the Securities Commission - CVM a request of registration of a Public Offering for Acquisition of Shares of Banco Nossa Caixa.

On 3.10.2009, the Central Bank of Brazil sent correspondence to Banco do Brasil communicating the approval of the transfer of controlling interest from Nossa Caixa to Banco do Brasil.

On 3.16.2009, after the fulfillment of all the precedent conditions for the closing of the operation of acquisition of the controlling interest of Banco Nossa Caixa, there was the payment to the Statement Government of São Paulo of the first installment, in the amount of R$ 310,931 thousand (corrected by the Selic rate since 11.20.2008, pursuant to the contract of sale of shares and other agreements) and the transfer of shares belonging to the State Government of São Paulo to Banco do Brasil, which became their controlling shareholder.

The initial record of the transaction involved the accounting, at Banco do Brasil, of the amount of the investment and of the goodwill paid to the State Government of São Paulo, and at Nossa Caixa, of the amount of the adjustments resulting from the adaptation of accounting criteria and estimates to those adopted by the new controlling shareholder, in conformity with CVM Resolution n.º 506/2006. The amounts of the investment and of the goodwill were determined with a basis on the pro forma adjusted balance sheet of Nossa Caixa on December 31, 2008, restated up to March 31, 2009, by the existing differences of criteria.

In view of the complexity of the subject and the time required to identify and measure all the differences of criteria that exist, it was defined that the initial recording would be performed with a basis on the "best estimate" possible under the circumstances, and that the final recording of all the differences would be performed over time, preferably by June 30, 2009 and necessarily by the date of takeover of Nossa Caixa by Banco do Brasil, having as a contra entry the adjustment of the initial goodwill of the transaction.

In this manner, the total amount of goodwill paid, shown in the chart below, as a result of the expectation of future profitability (goodwill), could not be allocated to the cash generation units, due to the non-conclusion, to date, of the study by a specialized company. The aforesaid allocations will be performed on a timely basis, as permitted by CVM Resolution n.º 527/2007.

We present below the calculation of the investment and of the goodwill amounts, after the adjustments made at Banco Nossa Caixa, for equalization of accounting criteria:

Shareholders' Equity of Banco Nossa Caixa on 12.31.2008	3,180
Increase of Shareholders' Equity in the 1st quarter/2009 (prior-year adjustment and mark to market of securities)	29
Result of the 1st quarter/2009, before the adjustments for equalization of accounting practices	(35)
Adjustments made at Nossa Caixa for equalization of accounting practices with Banco do Brasil (1)	(288)
Adjusted Shareholders' Equity of Nossa Caixa on 3.31.2009	2,886
Amount of the Investment in Banco do Brasil (71.2499527144%)	2,056
Price for the acquisition of shares, restated on 3.16.2009	5,596
- Price for the acquisition of shares, pursuant to the contract signed on 11.20.2008	5,386
- Restatement of the price for the acquisition of shares, on 3.16.2009 (Selic rate)	210
Amount of goodwill for the acquisition	3,540

(1) Adjustments made in the financial statements of Nossa Caixa, resulting from standardization of accounting criteria and estimates to those adopted by the new controlling shareholder, Banco do Brasil, in conformity with CVM Resolution 506/2006, which approves the Pronouncement of Ibracon about accounting practices, changes in the accounting estimates and correction of errors. The responsibility for the obligations resulting from these adjustments was under discussion with the former controlling shareholder of Nossa Caixa. With the change of controlling interest, on 3.16.2009, this responsibility was formally assigned to Banco do Brasil. Were adjusted provisions for doubtful accounts, labor demands, tax and civil, obligations with health plan and supplement the retirement of officials. Were recognized accounting differences on the intertemporal tax credits, resulting from adjustments made in the above provisions, and tax credits not activated in the previous year.

b) Acquisition of Banco Votorantim

On January 9, 2009, Banco do Brasil and Votorantim Finanças S.A. established a strategic partnership, entering into a contract of sale and subscription of shares, whereby Banco do Brasil will own the equivalent to 49.99% of the voting capital and 50% of the total capital stock of Banco Votorantim S.A. The operation will be carried out by means of (i) acquisition, by Banco do Brasil, of 33,356,791,198 common shares issued by Banco Votorantim and belonging to Votorantim Finanças for the price of R$ 3,000; (ii) subscription, by Banco do Brasil, of 7,412,620,277 new preference shares issued by Banco Votorantim for the price of R$ 1,200.

The conclusion of the operation and consequently its entry in the accounting records are subject to approval by the Central Bank of Brazil.

c) Study for acquisition of the controlling interest of BANESTES

On February 5, 2009, the Bank offered, and the State Government of Espírito Santo agreed, to start negotiations, without any binding effect, aiming at the acquisition of the controlling interest of Banestes S.A. - Banco do Estado do Espírito Santo by Banco do Brasil, with its subsequent merger, in compliance with regulations in force and the conditions inherent to operations of this nature.

Expressed in millions of Reais, unless otherwise indicated

It is also consensus that the operation should preserve the interests of the related stakeholders of the companies involved, including employees, checking account holders, shareholders and other partners.

32. Reconciliation of Shareholders' Equity and of Net Income according to accounting practices adopted in Brazil

	December 31	
	2008	2007
Reconciliation of Shareholders' Equity		
Shareholders' Equity determined in conformity with accounting practices adopted in Brazil	**29,937**	**24,262**
Adjustments recorded in net income	**6,734**	**(5,032)**
Surplus in post-employment benefit plans	6,947	3,995
Tax credit	1,314	50
Contingency Provisions	(1,257)	-
Equity income/loss in unconsolidated Investments	(220)	225
Recognition of monetary correction on fixed assets for use (1995 to 1997)	179	197
Activation	638	641
Depreciation	(459)	(444)
Allowance for non-operating assets	82	80
Goodwill on investments	59	34
Allowance for loan losses	54	21
Investments Valued at Cost	(49)	(58)
Dividends	5	5
Reversal of equity pickup	(54)	(63)
Reclassification of foreign exchange on available for sale securities	(192)	431
Other adjustments	(256)	(81)
Income and social contribution taxes on US GAAP adjustments	73	(9,926)
Adjustments recorded in other comprehensive income	**(5,599)**	**24,544**
Surplus in post-employment benefit plans	(6,089)	24,893
Adjustments of MTM resulting from the investments of the parent company	298	82
Reclassification of foreign exchange on available for sale securities	192	(431)
Overall total amount of adjustments	**1,135**	**19,512**
Shareholders' Equity determined in conformity with US GAAP	**31,072**	**43,774**

	December 31	
	2008	2007
Reconciliation of Net Income		
Income determined in conformity with accounting practices adopted in Brazil	**8,803**	**5,059**
Recognition of surplus in post-employment benefit plans	2,952	3,954
Tax credit activation	1,264	(80)
Contingencies provision	(1,257)	-
Reversal Exchange variation on Available for sale securities	(624)	338
Equity income/loss in unconsolidated investments	(444)	155
Income and social contribution taxes on US GAAP adjustments	(900)	(1,176)
Reversal/reinforcement of allowance for loan losses	34	(179)
Investments value by cost	8	10
Reversal of amortization of goodwill on investments	25	2
Depreciation on the monetary correction of fixed assets for use (1995 to1997)	(18)	(19)
Reversal/ Reinforcement of fixed assets not for use	3	(8)
Other adjustments	(171)	(72)
Total adjustments	**872**	**2,925**
Net income determined in conformity with US GAAP	**9,675**	**7,984**

Post-employment benefit plans

In conformity with accounting practices adopted in Brazil, costs of pension and other benefits are recorded in accordance with CVM Resolution 371, of December 31, 2000, which for defined contribution plans determines the use of an actuarial method for the calculation of costs of pension and other postretirement benefits. CVM Resolution 371 also establishes the deferral of actuarial gains and losses that exceed a specific corridor. For defined contribution pension plans, CVM Resolution 371 requires the recognition of contributions as expense when they are due.

Under US GAAP, employee pension costs are recognized in accordance with SFAS 87, which requires the use of an actuarial method for determination of the costs of defined benefit pension and establishes the deferral of actuarial gains and losses exceeding a specific corridor. SFAS 87 has different rules for recognition of cost and for evidencing in relation to CVM Resolution 371. In general Brazilian standards are conceptually similar to USGAAP, except for the fact that SFAS 158 requires recognition of the overfunded or unfunded status of a defined benefit postretirement plan as asset or liability in the financial position and to recognize changes in the funded/unfunded status through compreensive income of a business entity.

In addition, for the purpose of BRGAAP, new rules concerning pension plans were published, by the Secretariat of Supplementary Pension Funds ("SPC"), on September 29, 2008, CGPC Resolution 26, establishing conservative rules in the calculation of the actuarial liabilities to enable the return of contributions to the participants and to the pension fund sponsors. In accordance with CGPC 26, pension funds are required to return contributions to the participants and sponsors, observe among other factors, the effects on the actuarial liability with the use of Tábua de Mortalidade AT 2000 and discount interest of 5% per annum.

Income and social contribution taxes on *US GAAP* adjustments

This adjustment results from the application of the rates of income and social contribution taxes on the adjustments of conversion of the financial statements prepared in conformity with accounting practices adopted in Brazil to the financial statements in conformity with *US GAAP*.

Tax credit

According to CMN Resolution 3.059, of December 20, 2002, deferred tax assets can be recorded by financial institutions when the following conditions are fulfilled cumulatively: (i) the entity exhibits a record of taxable income or revenue proven by the occurrences in at least three of the last five years, including the year of reference; and (ii) there are prospects of generation of future taxable income or revenue that permit the realization of the tax credit within a maximum period of ten years.

Under US GAAP, in accordance with SFAS 109, interpreted by FIN 48, deferred tax assets are only fully recognized (that is, without provision for devaluation) to the extent their recovery is more likely than not.

Regarding the activation of the tax credit, the amount of R$ 1,252 refers to the recognition of the tax credits arising from the change in the rate of Social Contribution on Net Income (CSLL) from 9% to 15%. The recognition of this tax credit derives from the revaluation of the chances of success of the Unconstitutionality Direct Action (ADIN) 4104/Federal District (DF), against the raise in the CSLL rate of the financial sector, which indicates for the maintenance of the rate at 15%. Therefore, the adjustment in the amount of R$ 1,252 derives from the income from the process of periodic revaluations of the equity impacts arising from judicial proceedings in which Banco do Brasil figures as defendant, plaintiff or interested party.

Provision for contingencies

According to accounting practices adopted in Brazil, provision for contingent liabilities should be recognized when loss is more likely than not. Under *US GAAP*, in conformity with *SFAS 5*, provision for contingent liabilities should be formed when it is likely that losses have been incurred on the date of the financial statements and the amount of these losses can be reasonably estimated.

The adjustment derives from a review of the chances of success in judicial proceedings in which the Bank figures as defendant, which was concluded in April 2009. For the purpose of presentation, management's decision ended up in order to reflect the amount of R$ 1,257 in the USGAAP Financial Statements as of December 31, 2008.

Investments valued by the equity method

Under accounting practices adopted in Brazil, a company is required to use the equity method of accounting to record investments in: (a) its subsidiaries in its individual financial statements, and (b) its associated companies, the management of which it exercises significant influence in or in which it owns more than 20% of the capital. Accounting practices adopted in Brazil establish certain factors that are signs of the fact that the company exercises significant influence.

Under *US GAAP*, in conformity with *APB opinion 18*, an investment in common shares should be accounted for by the equity method whenever the investor has the capacity to exercise significant influence over the operating and financial policies of the investee, even if it owns 50% or less of the voting stock. The ability to exercise this significant influence can be indicated in various ways, such as representation in the group of officers, participation in the preparation of company policies, relevant and material intercompany transactions, exchange of management staff or technological dependency.

The adjustments of conversion to *US GAAP*, represent the recalculation of the equity method based on shareholders' equity reconciled in accordance with *US GAAP*, and of the change of measurement criterion of certain investments.

In 2008, for *US GAAP* purposes, there was reversal of R$ 241 million in equity in net income that was recognized according to accounting practices adopted in Brazil, as a result of the change of measurement criterion of Neoenergia's investment, from the cost method to the equity method of accounting, as under US GAAP, this investment had already been accounted for by the equity method.

Monetary correction of fixed assets for use (1995 to 1997)

In Brazil, monetary correction was applied up to December 1995. According to the US GAAPs, in conformity with *SFAS 52*, monetary correction should be applied to companies, whose functional currency is a hyperinflationary economy, meaning an economy with an inflation rate equal to or higher than 100% in the last 36 months. According to this criterion, Brazil ceased to be a hyperinflationary economy as from July 1997. In this manner, for US GAAP purposes, monetary correction in Brazil should be executed up to July 1997.

Provision for assets not used in banking operations

According to accounting practices adopted in Brazil, by determination of the Central Bank, additional provisions are recorded for assets not used in banking operations for which there is a pending item in the following forms: (i) 100% - property with pending litigation, of domain or sundry embargos (ii) 50% - property not valued or valued over six months ago, not classified in the above sub-item (i) either; (iii) 50% - property with pending writ of ejectment.

For US GAAP purposes, in compliance with SFAS 144, provision for assets not used in banking operations should be the economic provision determined by the difference between the book value and the fair value of the asset.

Goodwill on Investments

According to accounting practices adopted in Brazil, the surplus purchase cost of equity interest over its market value is recorded as goodwill, which is amortized in up to ten years, if it is based on the expectation of future profitability.

For US GAAP purposes, in compliance with SFAS 141, the surplus purchase cost of equity interest over the fair value of its net assets, including identifiable intangible assets, is recorded as goodwill, which is not amortized, but is valued at least annually in order to determine whether it is in a status of imparity.

These adjustments are related to the reversal of the amortization of goodwill executed according to accounting practices adopted in Brazil.

Allowance for loan losses

According to accounting practices adopted in Brazil, National Monetary Council Resolution nº 2,682, of December 21, 1999, requires a loan portfolio to be classified in nine risk categories, which range from risk AA (0% of provision) to risk H (100% of provision), in accordance with the risk appraisal prepared by the Bank. Resolution 2,682 determines a minimum percentage of provision for each level of risk, yet an entity can, at its sole discretion, determine higher provision.

Under US GAAP, SFAS 114, amended by SFAS 118, determines that a loan is in a status of imparity when it is likely that the creditor will not receive all the amounts due under the contractual terms of the loan agreement. SFAS 114 requires the measurement of loss due to imparity, depending on the circumstances, based on: (i) the present value of the future cash flows discounted at the effective rate of the loan; (ii) the observable market value of the loan and (iii) the fair value of the loan collateral. Large groups of low balances of massified loans, such as credit card and consumer credit are valued collectively for imparity in conformity with SFAS 5 and are excluded from the requirements for individual valuation.

Investments valued at cost under US GAAP and that were valued by MEP in BR GAAP

For investments valued at cost that were recorded as MEP, adjustments for U.S. GAAP purposes represent the reversal of equity in the income from investments where we do not have any holdings in common shares or do not have significant influence that demonstrate that the interest is in common shares "in essence ", and the reclassification of revenue from dividends to "Other Income".

Adjustments of MTM resulting from the investments of the parent company

Under accounting practices adopted in Brazil, some investments in equity interests are consolidated proportionately, by determination of the Central Bank of Brazil. However, according to *US GAAP*, investments that are not consolidated under *SFAS 94* and *ARB 51* are classified in keeping with management's intention, in conformity with *SFAS 115*.

These adjustments of mark to market in the shareholders' equity of the parent company represent the reclassification of consolidated investments according to accounting practices adopted in Brazil and classified in the portfolio of securities available for sale in accordance with SFAS 115 of the US GAAP.

Exchange variation on available for sale securities

According to accounting practices adopted in Brazil, the amounts resulting from exchange variation of securities available for sale are recorded in statement of income accounts. However, according to the *Emerging Issues Task Force - EITF 96-15* issued by FASB, amounts resulting from the exchange variation of securities available for sale should be recorded in a separate account in shareholders' equity together with the gains and losses derived from the mark to market of these securities.

Independent auditors' report

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasilia - DF

1. We have examined the consolidated balance sheets of Banco do Brasil S.A. as of December 31, 2008 and 2007 and their respective statements of income, statements of changes in stockholder's equity and statements of cash flows for the years then ended. These financial statements are the responsibility of the Banco do Brasil's management and were prepared in order to comply with the requirements of BM&F Bovespa-Novo Mercado's rules. Our responsibility is to express an opinion on these financial statements.

2. Our examinations were conducted in accordance with auditing standards applicable in Brazil and included: (a) planning the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by management from the Bank, as well as the presentation of the consolidated financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the consolidated financial position of Banco do Brasil S.A as of December 31, 2008 and 2007, and the consolidated results of its operations, changes in its stockholders' equity and consolidated cash flow for the years then ended, in conformity with accounting principles generally accepted in the United States of America (US GAAP).

4. As described in Note 17, the Bank recorded net deferred tax assets in the amount of R$ 15,349 million as of December 31, 2008 (R$ 3,770 million as of December 31, 2007), corresponding to income tax and social contribution tax credits, whose realization and maintenance are contingent on the future generation of taxable income.

May 29, 2009

The original version in Portuguese was signed by
KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF

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Accountant CRC 1SP175348/O-5-S-DF	Accountant CRC 1SP167720/O-1-S-DF

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Aldemir Bendine

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