

# Annual Report 2008



# **Annual Report** 2008

FIBRA: SYNONYMOUS WITH  
SOUNDNESS AND TRANSPARENCY

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**About the report**  
Inspired in the Bank's name, Fibra [i.e., fiber in Portuguese], the graphic project of this report is based on the Fibra/fiber concept. Thus, it stresses two aspects pertaining to the bank. The first refers to the literal meaning of the word (a structure with filaments found in animal and vegetable tissues or in certain minerals) and establishes a link with the business of the Vicunha textile company, the Bank's founder. The second concerns the figured sense of the word fibra in Portuguese (willpower, firmness of character, moral value, energy, strength, vitality, and willingness to make decisions), all of them expressions of Banco Fibra's action model.



DENIM

# Fibra: synonymous with soundness and transparency

CONTROLLED BY GRUPO VICUNHA AND WITH IFC AS A PARTNER, BANCO FIBRA IS THE EIGHTH LARGEST PRIVATE-SECTOR, BRAZILIAN CAPITAL BANK IN OPERATION IN BRAZIL IN TERMS OF TOTAL ASSETS\*. ITS BUSINESS FOCUSES ON CORPORATE AND RETAIL CREDIT

## 1. PROFILE

Among the largest in Brazil

Banco Fibra began operating in 1987 and its name, which in Portuguese means 'fiber', is a reminder of its origin as part of Grupo Vicunha (Fiação Brasileira de Rayon, i.e., the Brazilian Rayon Spinning Co.). Over the years it has acquired an important position in the Brazilian financial market and has become a multiple-services bank.

Fibra's business is based essentially on credit and it is structured into two main areas: Corporate Credit and Retail Credit. Both have the full support of the Funding and Treasury Areas. Its purpose is to invariably offer – and deliver – the best financial solution for each customer.

For the corporate segment, the Bank has a commercial platform distributed over ten states and that primarily serves enterprises whose annual sales lie in the R\$40 million to R\$ 400 range. It engages in transactions that range from working capital to trade finance, including longer term credit via BNDES, the Brazilian National Economic and Social Development Bank, and other funding agencies. Additionally, it develops specific products for each type of operation.

\* Source: Brazilian Central Bank, December 2008.

Banco Fibra is also active in the retail segment involving individuals through its subsidiary GVI Promotora de Vendas. Its main lines of business are consumer finance and payroll-deductible loans. It has some 9,300 points of sale spread all over the country, and also 13 GVI offices in 8 Brazilian states and the Federal District.

The competence of the institution's personnel is undoubtedly its main distinguishing feature. They are the people responsible for the Bank's warm customer relations and consequently for sound and lasting relationships,

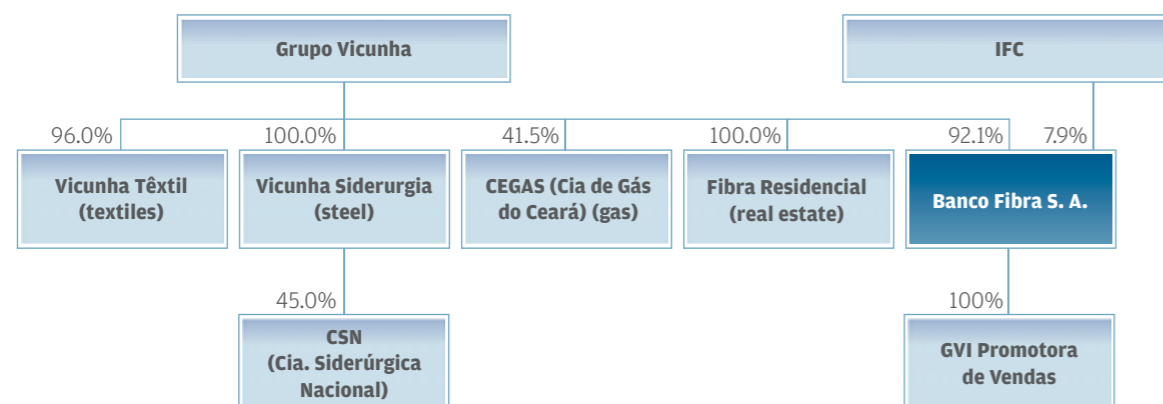
invariably based on ethical behavior and transparency, the cornerstones of the Bank's corporate governance model.

The Bank's chief shareholder is Grupo Vicunha (92.1%), a successful Brazilian group with more than 40 years experience operating in the country. Its portfolio of activities includes Vicunha Têxtil (textile mills) and CSN – Companhia Siderúrgica Nacional (steel mills). As of 2007, IFC – International Finance Corporation, the arm of the World Bank that finances the private sector, joined the Bank as a shareholder, acquiring a 7.9% stake of Fibra's capital.






### Business Structure



### Shareholding Structure



## 2. RATINGS

Agencies	Area	Rating	Period analyzed	Rating publication date
	<b>Bank deposits</b>		Dec 31, 2008	Mar, 2009
	Foreign currency	Ba2/NP		
	Local currency	Ba2/NP		
	NSR-Local currency	A1.br/BR-1		
	<b>Bank financial strength</b>	D		
	<b>Global scale</b>		Mar 31, 2008	Aug, 2008
	Foreign currency	BB-/Stable/B		
	Local currency	BB-/Stable/B		
	<b>Brazilian scale</b>	brA-/Stable1/brA-2		
	<b>Brazilian scale</b>		Jun 30, 2008	Oct, 2008
	Long term	A- (bra)		
	Short term	F2 (bra)		
	Outlook	Stable		
	<b>Sovereign risk</b>			
	Long term IDR			
	Foreign		BBB-	
	Local		BBB-	
	Outlook	Stable		
	<b>Local currency</b>	A+	Sep 30, 2008	Feb, 2009
	<b>Low risk for medium term(-)</b>	10.82	Dec 31, 2008	Apr, 2009
				

### 3. HISTORY

#### Success path

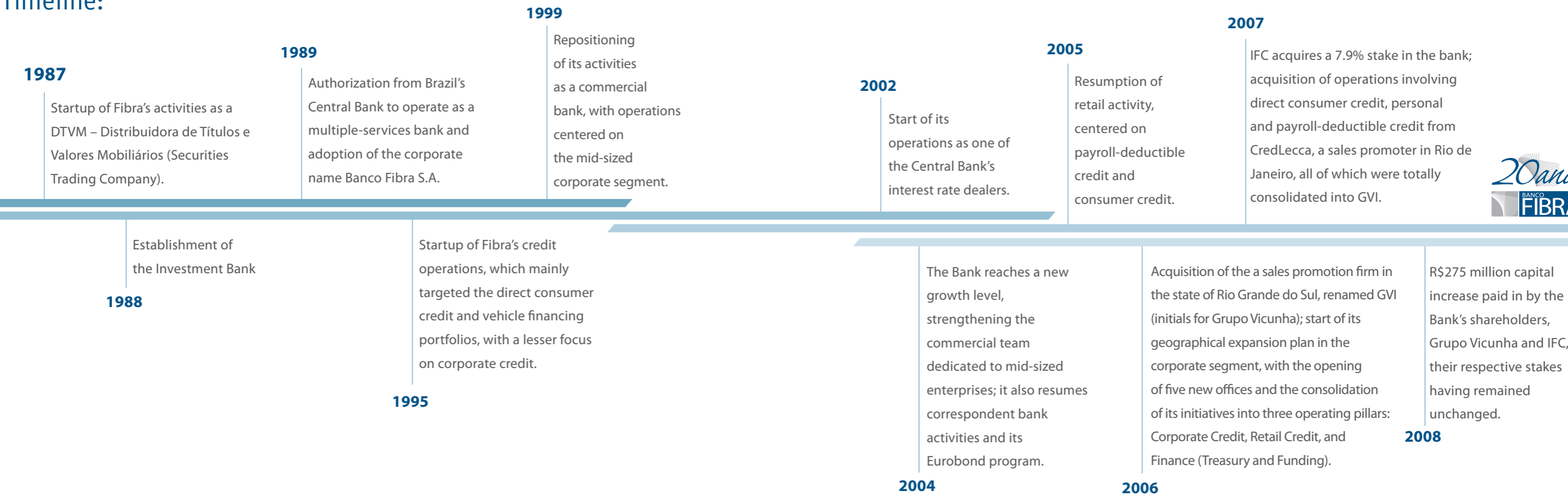
From the start of its operations in 1987 to this day, the Bank has seen two decades of much work, but also of many achievements, as Fibra evolved from a securities trading company into a nationwide multiple bank.

During the last 20 years, Banco Fibra took part and evolved during several different Brazilian economic cycles. Throughout this time, it achieved growing results, expanding its field of action and consolidating its market positioning. Over the course of its history, the institution has supported many of the country's firms in their development.



Banco Fibra's headquarters, São Paulo

#### Timeline:



### 4. HIGHLIGHTS

#### Rising liquidity

Fibra's austere posture regarding risk management underscores its operations. This was no different in 2008. The Bank raised US\$538 million in the international debt market, with an average term of 2.5 years, in addition to receiving an inflow of R\$275 million. During 2008, several actions merit highlighting:

- Fibra's social capital was **INCREASED BY R\$275 MILLION**, raising its Basel index to 15.3%, comfortably above the required floor of 11%.
- Total funds raised abroad amounted to R\$2.9 billion by the end of the year, **UP 89% 2007**.

#### ■ THREE RATINGS/PERSPECTIVE

**UPGRADES:** Fitch Ratings, Moody's and LFRating.

- The retail credit portfolio increased to **R\$ 549 MILLION**, a 14% growth in the year.
- The Bank had about **ONE MILLION RETAIL CUSTOMERS**, spread over a network of some 9.3 thousand points of sale.
- It also had some **1.1 THOUSAND ACTIVE WHOLESALE CUSTOMERS** spread over 14 branches across 10 Brazilian states.

## 5. MAIN INDICATORS

Income (in millions of R\$)	2004	2005	2006	2007	2008
Financial operations income	811	1,505	1,620	1,987	2,989 <sup>(6)</sup>
Gross income from financial operations	124	102	173	237	295 <sup>(6)</sup>
Operating income	61	35	103	83	108 <sup>(6)</sup>
Net income	36	40	71	69	102
Balance Sheet (in millions of R\$)					
Total assets	6,376	9,375	8,326	13,808	9,181
Shareholders' equity	426	397	441	505	758
Deposits	1,043	1,253	1,844	2,599	2,708
Loans	1,317	2,104	3,244	4,449	4,316
Profitability Indicators					
Return on average equity <sup>(1)</sup>	8.6%	9.8%	15.4%	14.3%	16.0%
Return on average assets <sup>(2)</sup>	0.8%	0.5%	0.8%	0.6%	0.9%
Net margin <sup>(3)</sup>	2.9%	1.6%	2.4%	3.6%	3.4% <sup>(6)</sup>
Efficiency ratio	44.7%	54.0%	34.0%	44.0%	40.7% <sup>(6)</sup>
Loan provision surplus	141%	127%	116%	296%	294%
Basel Index <sup>(4)</sup>	22.3%	14.9%	13.7%	13.2%	15.4%
Loan provisions to total portfolio	1.6%	1.7%	1.8%	2.5%	3.8%
Indicadores Operacionais					
Active clients – Wholesale	555	668	841	1,030	1,054
Active clients – Retail (in thousands) <sup>(5)</sup>	-	344	620	830	993
Points of sale – Retail <sup>(5)</sup>	-	391	2,719	7,257	9,298
Number of employees	234	282	659	1,013	858

(1) Net income over average shareholders' equity.

(2) Net income over average assets.

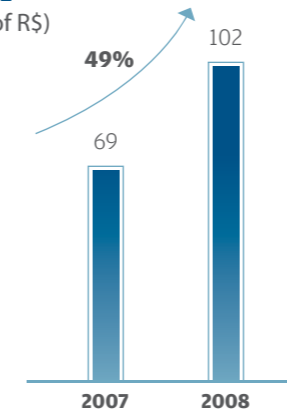
(3) Gross income from financial operations, net of allowance for loan losses as a percentage of the average earnings assets.

(4) Shareholders' equity percentage adjusted to risk weighted assets.

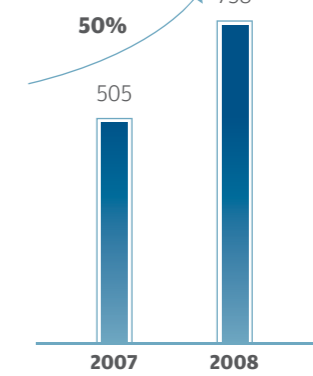
(5) Retail operations began in 2005.

(6) Excludes effects of foreign exchange hedge to protect the Bank's external investments and results.

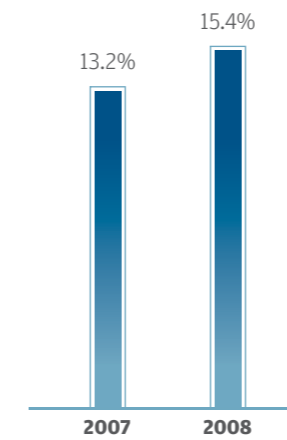
NET INCOME  
(in millions of R\$)



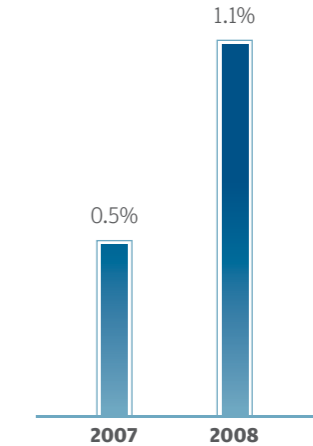
SHAREHOLDERS' EQUITY  
(in millions of R\$)



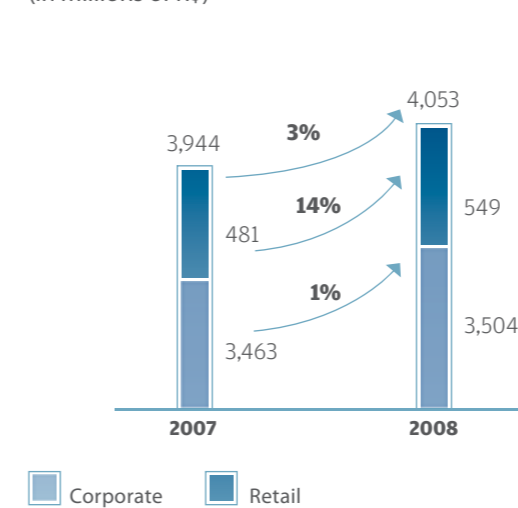
BASEL INDEX



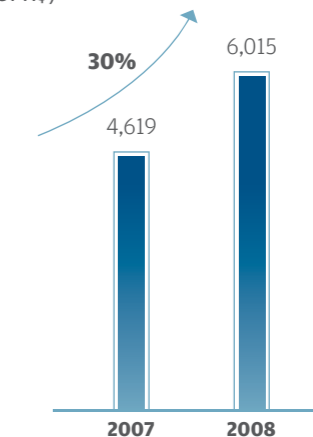
RETURN ON ASSETS



CREDIT PORTFOLIO - FIBRA'S ORIGINATION  
(in millions of R\$)



TOTAL FUNDING  
(in millions of R\$)



# Commitments: value generation for customers, investors and shareholders

FIBRA SEEKS TO TRANSFORM  
THE INTERNATIONAL CRISIS INTO  
AN OPPORTUNITY FOR BUILDING  
ITS STRENGTH

## 1. MESSAGE

### A year of prudence and opportunities

Two entirely different moments characterized 2008: before and after September 15, when the bankruptcy of the Lehman Brothers bank unleashed an unprecedented global financial crisis. We jumped from a promising outlook to an abrupt credit crunch whose long-term effects are still hard to assess. At Banco Fibra, we managed to adapt to the new, lower growth model that took over the market.

In the Wholesale segment, we continued to pursue the strategy of building long-term relationships with our customers. Even during the worst moments of the crisis, we conducted credit reviews, as needed, in order to conserve the relationships we had developed over time, as well as the health of our portfolio. This strengthened us and our market positioning. To meet our customers' new needs, in the first nine months of 2008, we improved our business and products area, acquiring the competencies we needed in order to operate in the areas of investment banking, structured operations for the public sector, agribusiness, international banking, and distribution of debt instruments. Thus, we are poised to resume growth.

LEATHER

Retail evolved greatly, in terms both of volume (especially during the first nine months of the year) and of distribution and credit risk control. We created new segmented products, fulfilling our objectives for the year.

On the funding side, we stepped-up our inflow of funds from abroad, which totaled R\$ 2.9 billion by the end of the year, in short- and long-term lines that were obtained at competitive rates, even during the year's last quarter, when market liquidity was quite tight.

Moreover, throughout the Bank, we improved our internal procedures and implemented cost rationalization programs, thereby enhancing our efficiency.

Our net income (R\$ 102 million) was 49% above the R\$69 million we earned in 2007, despite a prudent increase of R\$33 million of our unallocated provisions. We closed the year with total assets amounting to R\$9.2 billion and a credit portfolio of R\$4.3 billion, already reflecting the economic downturn.

The R\$275 million capital increase was of great importance to us. It was carried out in mid-2008, and raised our Basel index to 15.4%. The capital increase

provided by Grupo Vicunha and IFC in proportion to their respective stakes bears witness to our shareholders' commitment to the Bank's business.

Three rating agencies upgraded the Bank's ratings and/or outlook: Fitch Ratings, Moody's and LF Rating, confirming the evolution of results and the right direction of our strategy.

Sustainability was another theme that we pursued in greater depth in 2008, guiding our actions by the principles of the Global Compact, which we subscribed to in 2003. This United Nations initiative mobilizes the international business community to embrace fundamental values in the areas of human rights, labor relations, the environment, and fighting corruption.

Our 2008 achievements and our competitive advantages – a strong bond with our customers, the excellence of our liquidity management, and highly trained teams – will allow us to transform the global financial crisis into an opportunity for building our strengths. In 2009, we will continue to focus on creating value for our shareholders.

I would like to thank our customers, shareholders and suppliers for their support and trust, and our employees and other collaborators for their dedication and commitment. In particular, I would like to honor the memory of my uncle Eliezer Steinbruch, the Bank's founder and a member of its Board of Directors, who passed away on June 13, and who greatly supported and added to the growth of this institution.



**Ricardo Steinbruch**  
Chairman of the Board of Directors

## 2. STRATEGY, INVESTMENTS AND PROSPECTS

### Caution as the chief guideline

Fibra's 2009 strategy will focus on paying particular attention to liquidity and to risk, but without giving up growth as a result. In the wholesale segment, the Bank will further disperse its operations, while in the retail segment it plans to increase the supply of consumer credit. The Bank's objective is to always provide the solutions that best fulfill each customer's requirements. To this end, it maintains a special team and constantly invests in systems and infrastructure.

Things will be no different in 2009. Although the prospects for the year seem fairly uncertain, given that even the most optimistic forecasts only foresee the stabilization of the financial sector in the second half of the year, Fibra believes in the growth of its business.

### Spread out wholesale operations

During times fraught with uncertainty, the Bank's objective is to further reduce its risks. Its 2009 target is to increase its portfolio by growing the number of clients with credit limits adapted to the new market reality and thereby reducing risk.

### Moderate growth with profitability in the retail segment

The bank is staking the growth of its retail business on an increase in the supply of consumer credit via GVI. This will be possible thanks to the firm's special position, derived from its technological platform, which enables the business to analyze credit exceptionally quickly. This in turn allows it to give the consumer a prompt response. The 2009 plans also include establishing new partnering arrangements to offer payroll-deductible loans, as well as launching a credit card for consumers who do not hold a bank account.

### Solutions for customers

The basic assumptions about customers for 2009 are: fast but responsible decision-making, supply and delivery of suitable solutions, and safeguarding long-term relationships. Enterprises will need a smaller, more dynamic bank that is closer to them. And Fibra will be the adequate option, since it will emerge from the current financial crisis even stronger, thanks to its austerity and soundness. As a result, the wholesale segment will grow in line with opportunities, which will be analyzed on a case-by-case basis, always keeping liquidity and risk in mind, so as to maintain customers and protect shareholders. As for the retail segment, the launch of the credit card will inaugurate a new stage in the bank's direct relations with consumers.

### People as a competitive advantage

Many efficiency gains in 2009 may come from the enhanced qualifications of the people that make up Fibra. One of the projects include a training and performance evaluation program based on competencies. Training and upgrading courses for different hierarchical levels are expected to become even more important, and will include e-learning. The budget for training is R\$ 740 thousand (in 2008, this figure reached R\$ 580 thousand).

### Investment in processes and systems

The Bank's ongoing pursuit of efficiency is one of its chief characteristics. In 2009, the institution will continue to invest in the upgrading of its processes and systems, in the improvement of its business management, and in its IT infrastructure. Systems projects will be put in place in the areas of risks, products and process upgrading. Additionally, we plan to invest in infrastructure, in order to increase security and productivity, while also cutting costs. Overall, Fibra plans to invest R\$ 9.5 million, the same amount invested in 2008.



WOOD

# 2008: a year of good results

SUCCESS REFLECTS EFFORTS TO  
UNDERSTAND CLIENT PROFILES, IN ORDER  
TO DELIVER OPTIMUM SOLUTIONS

## 1. The Banking Industry

### The impact of turbulence

As of September 2008, when Lehman Brothers went bankrupt, the financial sector's severe confidence crisis reached Brazil. Although it did not affect the sector's 2008 results significantly, the turbulence is bound to drive banks into adjusting to a new reality in 2009.

The quick expansion of financial institutions, driven by world economic growth, was replaced by an entirely different set of circumstances. Developed countries collapsed into a recession as firms started to cut down on projects and people and banks will need to adapt to this new, lower-growth reality. Among other things, structural and regulation changes in the markets are to be expected.

In Brazil, to a greater or lesser extent, all banks were hit by the global crisis. Funds became pooled within the large retail banks and the public sector banks. However, the Brazilian financial system's regulatory framework (put in place largely during the 1990s), the Central Bank's oversight of financial institutions, and the measures taken to improve liquidity made it possible to contain the problems and kept an even more severe crisis at bay.

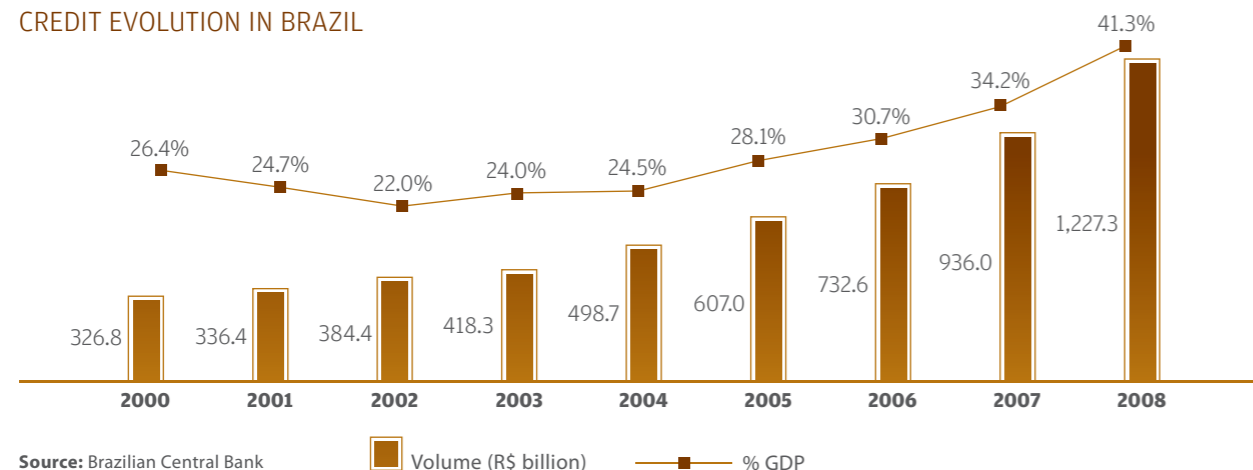
Overall, Brazil's financial system showed it was well capitalized and sound. The number of competitors only changed slightly relative to the end of 2007, falling

marginally from 2,437 to 2,417 institutions. In particular, the multiple-services bank segment, to which Banco Fibra belongs, gained a few new competitors, reaching 139 in late 2008, vs. 135 the year before.

### Credit

Brazil's credit transactions rose by 31% over the last 12 months, reaching a total volume of R\$1,227 billion in December 2008. For corporates and small businesses, the increase was 39.1%, a figure greater than the 25% posted for individuals. Total credit was equivalent to 41.3% of GDP, a record high.

#### CREDIT EVOLUTION IN BRAZIL



#### CREDIT EVOLUTION IN BRAZIL - FREE RESOURCES (R\$ billion)



Banco Fibra's headquarters, São Paulo

Although the figures reflect growth versus previous years, the volume is lower than in other countries. In the United States and in Japan, for instance, the volume of credit exceeds 180% of GDP. In countries such as the United Kingdom and Switzerland, this figure amounts to about 160%, whereas in Italy and France it stands at 90%. Despite credit growth in excess of 20% a year during this decade (IMF data), Brazil still lags behind other emerging nations; South Africa and India increased their credit over GDP ratio by 15 percentage points from 2004 to 2007, whereas Brazil's credit only grew 9.7 points during this period.

Furthermore, as the first major impact of the external crisis in Brazil, banks developed an aversion to risk, cutting the credit extended to their customers. The rates, which had been rising since early 2008 as a result of the liquidity crunch abroad, increased further, as did bank spreads, in order to offset the market's perception of increased risk.

Nevertheless, the outlook is moderately optimistic, because the country's credit evolution was sufficiently favorable to minimize the impact of this highly uncertain

scenario. Consumer credit became more accessible and less expensive. In 2000, approximately 40% of the people who took out loans had no coverage for the amounts borrowed and the interest rates were close to 100%. Thanks to the introduction of payroll-deductible loans in 2004, only 16% of loans to individuals lack coverage today. Furthermore, interest rates have dropped to less than 20% a year, whereas payment terms have increased to three years.

The ongoing control of inflation is another key element that encourages credit, in that it strengthens the population's purchasing power. Moreover, as a result of the economy's slowdown in 2009, the inflationary pressures will drop further.

### Perspectives for 2009

Economic activity in 2009 is expected to shrink in the first half of the year and to recover in the second, depending on how the international economic arena evolves. The Brazilian economy's basic interest rate, the Selic, started falling in January and may go as low as 10.5% by the end of the year. As for the exchange rate against the US dollar, it should reach R\$2.30.

GDP will possibly trend down, dropping to 1.3% in 2009, from 5.2% in 2008. The unemployment rate is likely to increase to 9.0%, from 7.9%. As for inflation, it should converge toward the 4.5% target. Within this context, credit growth will be moderate.

## 2. BUSINESSES

### Stronger relations

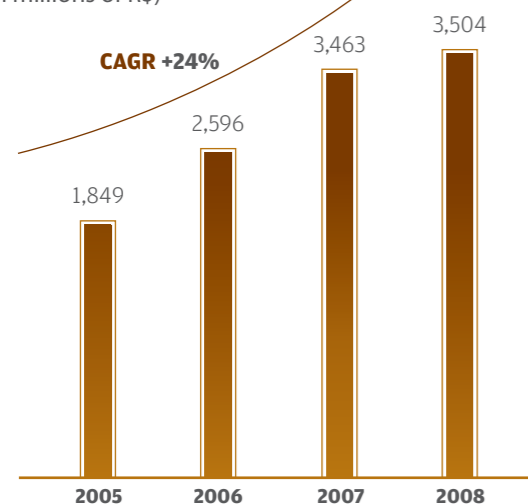
The secret behind Banco Fibra's success in its different lines of business in 2008 was understanding the profile of each customer precisely and delivering the best solution for their needs, even during the crisis.

## Corporate

Fibra's main corporate customers are approximately one thousand firms whose annual sales lie mainly in the R\$40 million to R\$400 million range for which the Bank provides different credit solutions. The operations include financing working capital and foreign trade, as well as guarantees (bank sureties and letters of credit) and specialized products, such as foreign exchange, structured operations and hedging (swap) operations. At the end of 2008, the Bank's portfolio amounted to R\$3.5 billion.

Fibra has a broad distribution for this segment: headquarters in the city of São Paulo and 13 commercial branches in cities spread across ten Brazilian states.

**CORPORATE CREDIT PORTFOLIO**  
(in millions of R\$)



One of the Bank's chief distinguishing features is its speed of action and competence in making structured credit feasible, based on a broad analysis of the production cycle and its customers' growth potential. This activity has been crucial for safely bridging the current financial crisis that began in late 2008.



Until the external crisis deepened, the market offered extended terms and demanded fewer guarantees. However, Fibra's conservative posture caused its modus operandi to change. As early as mid-2008, it reviewed its credit portfolio in depth. As soon as the impact of the world financial crisis hit Brazil, Fibra began to restructure its relationship with each customer.

As of mid-September, we adjusted principal amounts, rates, terms and guarantees to the new market conditions.

All these initiatives were designed to preserve Fibra's client base, assuring them all possible aid to face their difficulties, without, however, putting the Bank's liquidity at risk. Putting this strategy into practice was only possible because of the credit analyses correctly performed during 2008 and of Fibra's high grade commercial team.

Though the number of customers did not grow significantly, financial revenue rose in 2008 as a result of a combination of a larger portfolio, mainly during the first nine

months of the year, and greater spreads. The foreign exchange rate fluctuation also resulted in added financial income.

Another opportunity brought about through deceleration was the possibility of taking advantage of these times to improve the Bank's structures and processes. Fibra's aim to create value for its customers and shareholders is unchangeable; however, one must make adjustments and redefine a number of issues in order to work in the new market that will emerge following this crisis.

## Perspectives for 2009

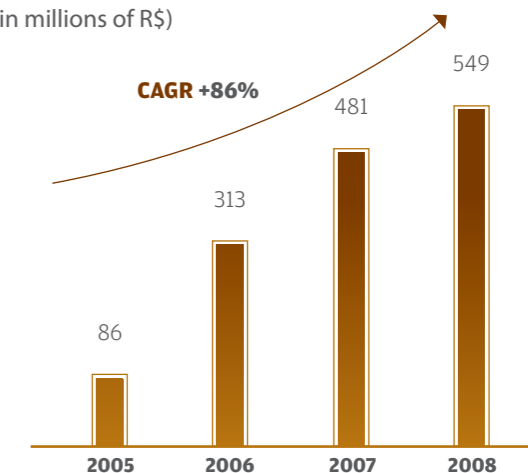
In 2009, Fibra aims to significantly expand its client base and, consequently, its loan portfolio. Its aggressive client expansion plan will be rolled out as soon as the worries over the financial systems' liquidity are overcome.

## SPEED OF ACTION WHEN PROVIDING STRUCTURED CREDIT INCLUDES ANALYZING CLIENTS' PRODUCTION CYCLE AND GROWTH POTENTIAL

## Retail

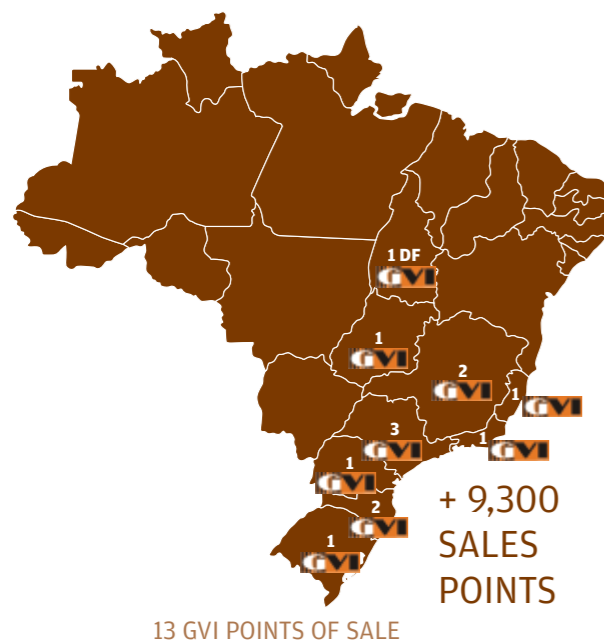
Banco Fibra operates in the retail credit segment through its subsidiary GVI Promotora de Vendas. In 2008, this activity concentrated on three main lines of business, designed for different target groups and with different distribution channels: direct consumer credit, payroll-deductible credit, and mortgages. The institution reached the end of 2008 with a R\$549 million portfolio, up 14% over the preceding year.

**RETAIL PORTFOLIO**  
(in millions of R\$)



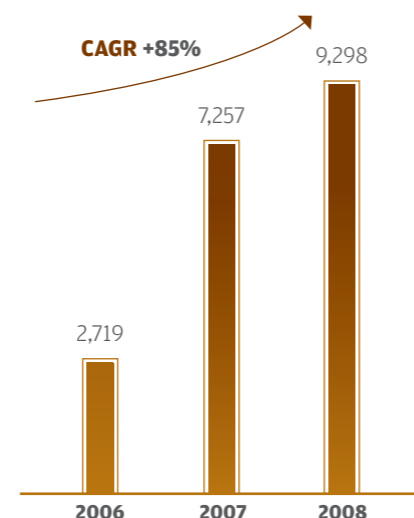
Product	Target Groups	Distribution Channels
Consumer Credit and Structured Consumer Credit (to large retail chains)	A, B, C and D	Retailers
Payroll deductible loans to public servants, government agencies and INSS retirees	C and D	Correspondents GVI stores Telemarketing
Mortgages (residential, commercial, construction, remodeling and land)	A, B and C	Agents and brokers Developers TotalCasa stores Retailers

GVI has offices in São Paulo, Rio de Janeiro, Espírito Santo, Paraná, Minas Gerais, Goiás, Santa Catarina, Rio Grande do Sul, and Brasília.



Furthermore, it also has 9.3 thousand distribution points for its products (retail stores and correspondents).

#### RETAIL POINTS OF SALE



The global financial crisis enhanced selectivity in granting credit; in parallel, financing terms were shortened, reducing the volume of transactions as of October. Nevertheless, GVI achieved significant growth in 2008, as a result of its increased number of transactions starting in late 2007 and also of attracting new customers.



GVI's customer service

The company started working with new segments and in many cases even changed its target to classes A and B; it also unified its channels for obtaining credit applications via the Internet in order to optimize its operations. The improvement in its risk processes was the chief factor underlying the year's good results.

New credit rating models were used, taking into account both internal evaluation criteria and a national database. As for automation of fraud prevention, it produced faster and safer responses.

The Paperless project is one more innovation for 2009. It does away with all paper when customers enter the GVI base. Just the reading of a fingerprint suffices for the system to find all the required data, carry out an analysis and produce a credit rating. Fast, safe and free of bureaucracy.

#### Consumer credit

The highlight of the consumer credit area was the creation of new products, such as those targeting self-employed professionals with higher education and small enterprises, for them to acquire goods or services at establishments listed with GVI. This product is not designed for wholesale purchases and the loans cannot be used in connection with re-selling or as working capital, but only for consumption.

Other novelties were designed in 2008 for launch in 2009, such as Multipag (credit for the payment of suppliers) and Decore Mais Fácil (i.e., Decorate Easily, a loan for decoration that can be used in a range of establishments).

One should also stress the improvement of customized activities involving major stores, which generate transactions with a far better level of security and control. Yet another of GVI's distinguishing competitive features is its commercial team, comprised of specialized personnel in each one of the different retail segments in which it offers consumer credit.

#### Payroll deductible loans

As a result of market shrinkage and regulation restrictions, the performance of payroll deductible loans fell below expectations. Therefore, commercial partnerships were signed with other institutions, in order to increase GVI's share of this segment.

The review of the fraud processes significantly reduced financial losses, thereby making the product more profitable than in 2007. Though volume was smaller, quality improved.

#### Mortgages

Launched in 2007, Total Casa (Total Home) is our brand of property mortgages, offering different products for the financing, acquisition, building or remodeling of homes, commercial property, leisure-oriented property, or land.

In 2008, an operating platform was developed and the institution entered into commercial partnerships in each distribution channel. The long-term funding strategy required for the operation's growth will be finalized in 2009.

**DESPITE INCREASED SELECTIVITY AND SHORTER FINANCING TERMS, GVI POSTED SIGNIFICANT GROWTH IN 2008**

Acquisition of Loan Portfolios

At December 31, 2008, the acquired loans portfolio totaled R\$263 million, or 6% of the Bank's total credit portfolio. The Bank acquires loans from smaller financial institutions, in particular payroll-deductible loans taken out by civil servants and by pensioners of the Brazilian National Social Security Institute (INSS).

Prospects for 2009

The 2009 novelty will be a new line of business for GVI: credit cards, to be launched in the first half of the year, under the Visa brand and with a security chip. The target audience consists of people who have no bank accounts. Our initial plan is to issue 400 thousand cards by 2010. During the course of 2009, Fibra will open three new branches in the Northeast, in the cities of

Salvador, Recife and Fortaleza. They will focus on consumer credit and on payroll-deductible loans.

Funding

The fund raising area, along with the treasury, is responsible for providing the necessary support for Fibra's transactions. In 2008, its work was essential in ensuring the Bank's liquidity: in order to meet requirements dictated by customers' different finance needs, this area diversified our sources of funding, resorting both to the domestic market (deposits and local capital market debt instruments), and to the international market (corresponding banks, i.e., trade finance) and global capital market. Thus, it managed the Bank's assets and liability positions, ensuring that cash, terms and volumes matched.

Local Funding

The Bank's chief source of funds, its local deposits, which accounted for 45% of all funding obtained, reached R\$2,708 million in 2008. Term deposits with a daily liquidity clause accounted for about 10% of Fibra's deposits, one of the lowest ratios in the domestic financial market, according to a comparative report published by the Brazilian Central Bank semiannually.

In March of 2008, Fibra issued R\$20 million in new

subordinate debt in Brazil, maturing in March 2013 in the form of trading notes of certificates of bank deposits (CDs).

International Funding

The bank raised a total of US\$538 million abroad by means of structured operations, as shown in the table below. In April, an issue of Euro Medium Term Notes brought in US\$150 million to be paid back in two years at an interest rate of 6.75% a year. In June, a second Eurobond deal

Structured deals in 2008	Issue date	Principal	Term
International Market (1+2+3)		US\$ 538 million	
Capital Markets (1)		US\$ 390 million	
Eurobonds	Apr/08	US\$ 150 million	2 years
Eurobonds	Jun/08	US\$ 150 million	3 years
B Loan	Aug/08	US\$ 42.5 million	3 years
B Loan	Aug/08	US\$ 27.5 million	2 years
OPIC	Sep/08	US\$ 20 million	5 years
Trade Finance (2)		US\$ 104 million	
EDC	Apr/08	US\$ 14 million	1 year
EDC	Jun/08	US\$ 14 million	1 year
IFC Trade Finance – La Caixa	Nov/08	US\$ 30 million	90 days*
CCC	several	US\$ 46 million	3 years
Others (3)		US\$ 44 million	
Clean Lines	several	US\$ 44 million	6m/1 year
Local Market		R\$ 20 million	
Subordinated Debt	Mar/08	R\$ 20 million	5 years

\* Renewable



AS A RESULT OF ENTERING THE CREDIT CARD BUSINESS, GVI ESTIMATES IT WILL ISSUE 400 THOUSAND CARDS BY 2010 TO PEOPLE WITH NO BANK ACCOUNTS

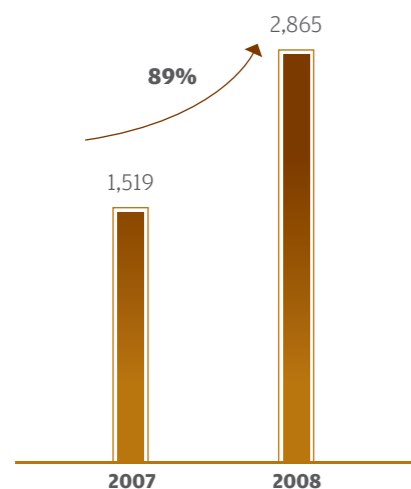
raised US\$150 million with a three-year term and an interest rate of 7% a year.

In August, Fibra entered into one more agreement with IFC: a syndicated loan, known as a B Loan, placed with eight banks and totaling US\$70 million. It was made in two tranches: a US\$27.5 million, two-year term one at a cost of Libor plus 1.70%, and a US\$42.5 million, three-year term one at a cost of Libor plus 1.85%.

Another bilateral loan from Wachovia NA, for a five-year term, added a further US\$20 million. This operation was covered by OPIC, the Overseas Private Investment Corporation.

In November, Fibra engaged in two more funding operations. One was conducted with La Caixa (Caja de Ahorros y Pensiones de Barcelona), under the IFC's Global Trade Finance Program; it yielded US\$30 million for 90 days (renewable). The other was conducted with Cobank-Denver, and provided US\$33 million, for three years, under the CCC – Commodity Credit Corporation program.

#### INTERNATIONAL FUNDING (in millions of R\$)



#### Treasury

The area is in charge of proprietary trading, of the analysis and forecast of economic data, and of the management and pricing of assets and liabilities, both in local and in foreign currencies.

The 2009 targets are quite challenging. Besides financial results, the treasury is committed to improving the profitability of business. To this end, it must implement aggressive cost cutting, by automating its processes and activities.



Treasury Area

### 3. Performance Overview

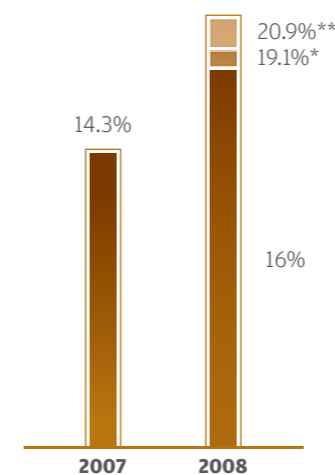
The institution's good performance is mainly due to the 50% growth of its financial intermediation revenues, which reached R\$3 billion, and to the Bank's effective risk controls. We gave priority to cash liquidity and extended the term of liabilities, giving ourselves the comfort to manage the Bank's cash position.

#### Results and Profitability

Fibra reported net income amounting to R\$102.5 million in 2008, which reflects a 49% growth over 2007. This corresponds to a return of 16.0% over the average shareholders' equity for the year (ROAE), vs. 14.3% in 2007. If one were to exclude voluntary provisions, in the amount of R\$33 million, the Bank's ROAE would equal 19.1%. In addition, if the second half 2008 capital increase were also excluded, ROAE would further increase to 20.9%.

Annual return on assets (ROA) progressed to 1.1% in 2008, vs. 0.5% in the previous year.

#### RETURN ON AVERAGE EQUITY



\* Excludes additional allowance for doubtful loans

\*\* Excludes additional allowance for doubtful loans and capital increase

#### Shareholders' Equity

At the end of 2008, the Bank's Shareholder's Equity amounted to R\$ 757.8 million, reflecting a 50% growth vs. the same period of the previous year, largely due to the increase in capital paid in, in the amount of R\$275 million. Thus, the Basel index increased to 15.4%, vs. 13.2% in 2007, above Brazilian Central Bank's required floor of 11%.

#### Financial Operations Income

Since the end of the first quarter of 2008, the institution has had a policy in place to protect net income and shareholders' equity from the full effects of the foreign exchange fluctuations of its external investment in Grand Cayman (full-branch). In this regard, it maintains a protection in an amount sufficient to offset the direct and indirect impact on the results for the period. During 2008, this strategy showed to be efficient, especially in the second semester, when the US Dollar appreciated in comparison to the Real by 46.8%.

As a result of the investment hedge structure, there are compensatory effects among the results stated under the headings "Income on financial operations", "Operating income", and "Income and social contribution taxes", without, however, producing any effects on net income. Therefore, the results are protected, as well as the shareholders' equity, from the effects arising from foreign exchange fluctuations.

The years' good result is mainly due to the 24.4% increase in gross income on financial operations, to R\$295 million, even after the constitution of additional allowances for doubtful loans in the amount of R\$33 million. The increase in gross income was mainly due to the growth of credit operations during the first nine months of 2008, and the higher spreads of the sector during the year.

Statement of Income* (In millions of R\$)	2008	2007
Financial operations income	2,989	1,987
Fin. Oper. Expenses before allowance for doubtful loans	(2,544)	(1,653)
Gross amount on financ. oper. before allowance doubt. loans	446	334
Allowance for doubtful loans	(118)	(97)
Allowance for doubtful loans – Additional	(33)	-
Gross income on financial operations	295	237
Other operating income (expenses)	(187)	(155)
Operating income	108	83
Non-operating income	(2)	38
Income before taxes and profit sharing	106	121
Income and Social Contribution Taxes	16	(25)
Income and Social Contribution Taxes (current values)	(84)	(53)
Deferred tax asset (allowance doubt. loans, mkt value sec. & prov.)	90	28
Deferred tax assets (change in CSLL - 9% to 15%)	10	-
Statutory profit sharing	(20)	(27)
NET INCOME	102	69

\*Excludes effects of foreign exchange hedge to protect the Bank's investment abroad and results.

### Other Operating Income and Expenses

Service fee income rose 29% to R\$ 29.6 million, mainly due to higher transaction volumes in the retail segment. Personnel and other administrative expenses, in turn, increased 23%, caused by the collective labor agreement in September, and to the growth of retail operations, which expanded distribution capacity by 28% to 9,300 points of sale in December 2008. This expansion caused mainly an increase in communication and data processing expenses, among others.

### Assets and Liabilities

#### Total Assets

Total assets amounted R\$9.2 billion at the end of 2008, a decrease of 34% compared to the previous year,

caused by the reduction in money market operations, which represented only R\$493 million, versus a R\$7.3 billion position in December 2007. Although still a Central Bank specialist dealer, Fibra has decreased its operations with public securities subject to repurchase agreements, focusing on its core business of corporate and retail credit.

### Liquidity

With the deepening of the crisis which started in September, we took several measures to increase liquidity. In addition, the Brazilian Central Bank announced some actions to improve the trust in the national financial system. These measures combined resulted in high

liquidity, evidenced by our cash position, which ranged from R\$1.2 billion to R\$1.6 billion, more than twice the ordinary level maintained by the institution.

### Credit Operations and Asset Quality

Fibra's credit portfolio is divided, essentially, into three types of loans: middle market operations, in which Fibra has developed special know-how; retail operations, originated by its subsidiary GVI Promotora de Vendas, consisting basically of consumer loans and payroll-deductible loans; and, finally, credit acquired from other financial institutions. In line with its business strategy, determined in 2007, the Bank strongly focuses on operations that it originates itself, though the purchase of credit from third parties may occur whenever major opportunities for the Bank arise.

Since the deepening of the international crisis as of September, the bank became even stricter in granting credit. The Bank's total credit portfolio, at the end of the year, reached R\$4,315 million. 81% of this amount, or R\$3,504 million, were loans originated by the Companies segment.

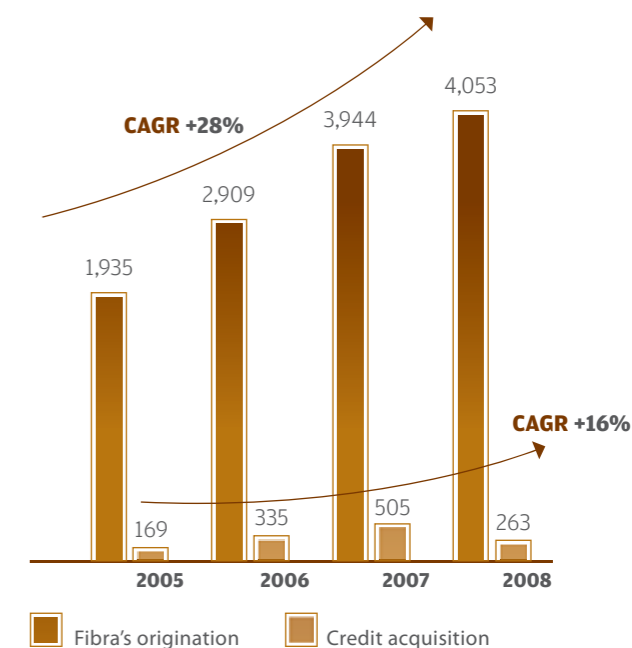
Banco Fibra's retail portfolio rose by 14% in the 12 months ended in December 2008, reaching R\$ 549 million.

The Bank's portfolio of acquired credits posted a 48% drop vs. December 2007, to R\$263 million, in line with

the Bank's business strategy to focus on originating its own credit portfolio, using its cash and capital base to strengthen its own internal business.

The consolidated balance of provisions for doubtful loans reached R\$ 165.9 million, or 3.8% of the total credit portfolio, with a coverage ratio of 294% for all past due values over 90 days (296% in 2007). The Bank's default

EVOLUTION OF CREDIT PORTFOLIO  
(in millions of R\$)



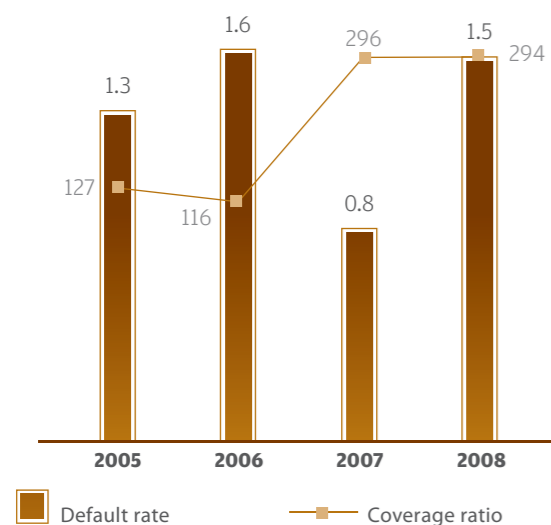
**FINANCIAL INTERMEDIATION REVENUE GROWTH AND EFFECTIVE RISK CONTROL WERE THE CHIEF FACTORS UNDERLYING GOOD PERFORMANCE**

## DEFAULT RATIOS IN THE RETAIL AND CORPORATE SEGMENTS WERE KEPT WELL UNDER CONTROL

ratio (past dues over 90 days) stood at 1.5%. Fibra has been able to select its debtors carefully, maintaining its default ratios at a controlled level, both in the retail and in the wholesale businesses.

Additional allowances for doubtful loans were set up, in the amount of R\$ 33 million, representing a 28% increase over regular provisions.

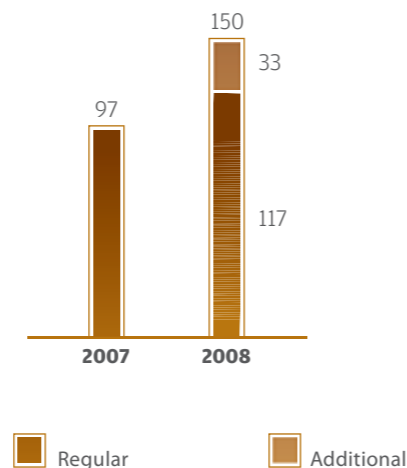
DEFAULT RATE AND COVERAGE RATIO  
(in %)



### Funding

With a 30% growth Y-o-Y, the total funds raised by Fibra stood at R\$6,015.1 million on December 31, 2008. The Bank has diversified funding sources appropriate for each of its asset lines, avoiding mismatches both in terms of tenor and currency. At the end of the year, 53% of funding

ALLOWANCE FOR DOUBTFUL LOANS  
(in millions of R\$)



was domestic, obtained primarily through time deposits. 47% was represented by international funding, which were obtained through correspondent banks to finance client trade operations, and issue of securities in the international market.

The Bank's chief source of funds, its total deposits, which equaled 45% of total funds, reached R\$2,708 million in December 2008.

One of the year's chief highlights were the foreign funds raised by the Bank. At year end, total foreign funds reached R\$2,865 million, up 89% from December 2007. Average maturity of the funds raised during the year stood at 2.5 years, resulting in extension of debt profile and careful management of assets and liabilities. Even after September, following the deepening of the external crisis, the Bank raised US\$ 63 million through international institutions. For more information on the Bank's funding, please see pages 24 to 26.

## 4. INTANGIBLE ASSETS

### Competitive differentials

Positioning, people and innovation are not part of an enterprise's quantifiable assets. However, they are factors that make the difference in a corporation and therefore cannot be disregarded in the assessment of the year.

### Brand

There is nothing better than a strong brand name to provide strong market positioning. And in Portuguese, the word Fibra (fiber), in and of itself, reminds one of the notions firmness, flexibility and energy, essential qualities for a bank. As for GVI, its name derives from Grupo Vicunha (the Vicunha Group), renowned for its tradition and soundness in all the segments in which it is a player.

### Governance

Companies' attitudes can be as valuable, or even more valuable, than any brand publicity activities. Therefore, Fibra conducts its business with a high degree of corporate governance and transparency.

### Relationship model

With corporate customers, for instance, the Bank aims at establishing a long-term relationship with a sound, secure, broad, and above all, loyal base.

### People

The basis of both Banco Fibra's and GVI's success is people. Together, they have 858 employees (384 in the Bank

and 474 in GVI), who bring together qualifications and experience. The company policy aims at aligning the strategic objectives of the business with the personal interests of each employee and strives to motivate its teams.

In 2008, the Bank's competencies were validated as part of a plan designed to identify its employees (*IGF – Identificação de Gente de Fibra*) who embody the attitudes and behaviors that the institution expects from its personnel. At GVI, the year's highlight was mapping the enterprise's DNA, a task that identified the business's main underlying features.

### Innovation

Doing something differently from how it was done before. This is the definition of innovation, which is key for enterprise survival nowadays. Its major ally is technology, which has strongly aided business growth at Fibra. In 2008, Plans for Business Continuity regarding the Business and Support areas were prepared; additionally, successful back-up site tests were carried out.

Product line diversification – and the ongoing creation of new offerings – must also be a constant practice among corporations that pursue innovation. Both Fibra's wholesale and retail areas offer their customers credit solutions that stand out relative to those of the competition. For companies, the Bank developed customized products in line with each customer's needs. As for individuals, credit is segmented by region, sector and audience.

**BRAND, GOVERNANCE, RELATIONSHIPS, PEOPLE AND INNOVATION ARE THE ASSETS THAT MAKE A DIFFERENCE**



# Control: under the sign of ethics

GOVERNANCE EMPHASIZES TRANSPARENCY,  
SOUND COMMERCIAL POLICIES AND  
RISK MANAGEMENT

## 1. GOVERNANCE

### Conduct guidelines

Banco Fibra's basic corporate governance guidelines are set by its senior management. These directives establish the standards of ethics that must be maintained regarding a range of subjects that can lead to situations of risk or conflict. They also provide guidance for conduct and decisions.

### Board of Directors

Banco Fibra's Board of Directors is a collegiate decision-making body, in charge of establishing the institution's overarching strategies. This task includes setting commercial policies and risk management. It is also incumbent upon this group to decide on the appointment of the executive board, as well as to oversee and provide guidance for the company's management.

The Board is comprised of at least five and at most seven members, of whom at least 20% must be independent board members. According to the shareholders' agreement, IFC, which holds a 7.9% stake in the business, is entitled to appoint one board member.

The general meetings take place once a quarter and the special meetings at any time, whenever so requested by the Chairman. Board members are appointed for a two-year term, and their reelection is allowed (the current term will end in 2011).

**BUTTERFLY WING**

## Executive Committee

Created in August 2007 to align all the strategic themes and to monitor the results achieved through weekly meetings, the Executive Committee is comprised of the chairman of

the Board of Directors, by the three executive vice-presidents (wholesale, retail and corporate), and by the chief officer of the treasury, funding and international areas.



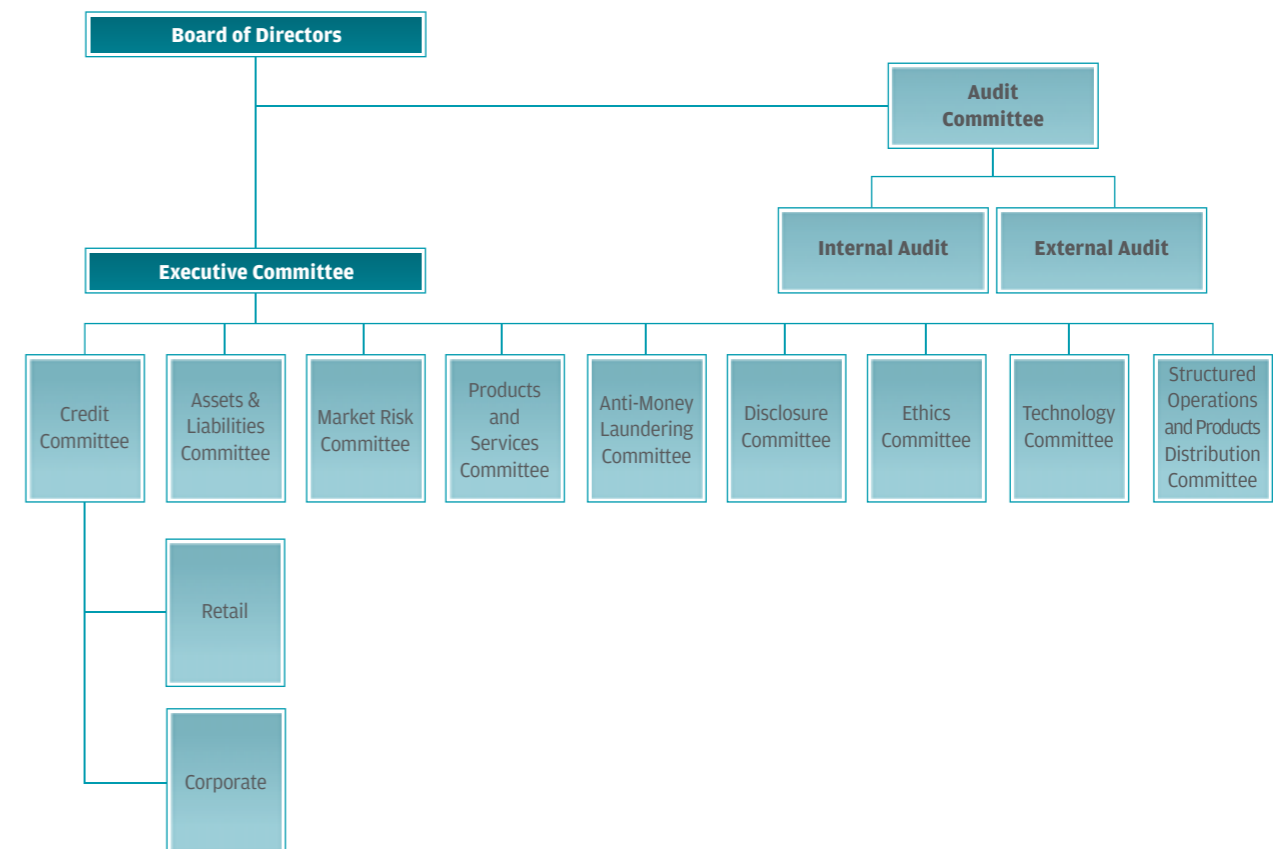
## Fiscal Council

Although Banco Fibra's bylaws provide for a Fiscal Council, it is not currently set up. It is not a permanent group and it can be instituted and dismissed at the initiative of the general meetings. Its chief function is to review managerial activities and financial statements and to report its conclusions to the shareholders. It must consist of at least

three full members and an equal number of alternates – shareholders or otherwise – who must reside in Brazil. The members are elected for a one-year term.

## Committees

Ten committees provide support for the Board of Directors and the Executive Committee, as follows:



THE BOARD OF DIRECTORS HAS THE SUPPORT OF 10 COMMITTEES THAT ENSURE THE ALIGNMENT OF STRATEGIC ISSUES

### 1) Audit Committee

It advises the Board of Directors on the exercise of its duties, establishes operating rules for its functioning and reviews the financial statements prior to their publication, besides engaging in other activities that the bylaws dictate. It is comprised of three members appointed for a three-year term. One of them is required to be a technically qualified executive officer, who is responsible vis-à-vis the Central Bank for compliance with accounting procedures as set forth in the current legislation. Another member must have proven qualifications in the fields of accounting and auditing. The committee's members are appointed by the Board of Directors.



Banco Fibra's headquarters, São Paulo, Av. Brig. Faria Lima, 3.729, 11<sup>th</sup> and 12<sup>th</sup> floors

### 2) Credit Committees

They analyze and approve credit operations and limits for customers or potential customers. They are subdivided by market segment:

**Corporate** – It holds weekly meetings and has decision authority over values, terms and guarantees. The decision to extend credit must be consensual. In the case of divergences, it is up to the credit director to make the final decision. There is a credit pre-committee that discusses the applications that are to be submitted to the credit committee. Credit lines above R\$ 10 million must also be approved by the Executive Committee.

**Retail** – It is in charge of the credit policy for individuals and holds weekly meetings. It is comprised of the risk manager, the credit manager, a regional commercial manager and the planning director.

### 3) ALCO (Asset & Liabilities Committee)

It defines the guidelines for capital management and the structural risks of the balance sheet (interest rates, liquidity, foreign exchange and country exposures). It is comprised of executive directors and members of the control, compliance, risks, funding and other areas. The committee meets on a fortnightly basis and monitors the general policies applied by the operating areas and how they relate to the Bank's overarching strategy. Its members also discuss the allocation policies of funds in general. Furthermore, they determine the rate of return vs. the risk undertaken, in addition to monitoring whether the operations under way are in line with these policies. Finally, they discuss the Bank's funding strategy in the light of current prices, terms and liquidity levels.

### 4) Market Risk Committee

It defines the Bank's risk policy, discusses different

scenarios in order to set the admissible loss levels, classifies Fibra's securities portfolio (trading, held to maturity, available for sale), identifies the risks that are inherent to new products, and periodically checks the results of stress tests, in addition to analyzing the parameters employed to manage risk, by back-testing the risks systems.

### 5) Products and Services Committee

A work group charged with presenting new products, the definition of the operating flow, feasibility studies and effects on systems, terms and costs. This group meets on a fortnightly or on an extraordinary basis, as necessary, and is comprised of executives from the product, processes, information technology, risk, back office, compliance, auditing, accounting and legal areas.

### 6) Anti-Money Laundering, Internal Controls and Operating Risks Committee

Its mandate consists of receiving, analyzing and then communicating to the executive board and the appropriate regulating agencies any atypical operations.

## THE ETHICS COMMITTEE FOCUSES ON ENSURING A HEALTHY WORK ENVIRONMENT AND DELIBERATES ON CONDUCT ISSUES

It is comprised of the corporate executive vice president, the director of operations, compliance and risks, the legal director, the head of compliance, and others.

### 7) Disclosure Committee

It decides on the disclosure of relevant acts or facts occurred and supervises the process of disclosing information to the market. It is comprised, on a permanent basis, of the investor relations director, the wholesale business executive vice-president, members from the legal, control, investor relations and communication areas, and, as necessary, on a temporary basis, by a representative from the area that originated the relevant fact.

### 8) Ethics Committee

It fosters a culture of ethics, approves related policies, and decides upon the issue of personal and professional conduct, in order to ensure a healthy work environment. It is comprised of the corporate executive vice-president, the chief executive officer for operations, compliance and risks, and by personnel from the compliance, auditing, legal and human resources areas.

### 9) Technology Committee

It evaluates and approves IT projects that demand investments in excess of R\$15 thousand, besides tracking the projects that are under way.

### 10) Structured Operations and Products Distribution Committee

It evaluates proposals for new products and structured operations, provides the status of ongoing new products and defines deadlines for new product launching. It is comprised by members of the capital markets, products, funding, credit, and other areas.

### Members of the Board of Directors

#### Ricardo Steinbruch

Chairman of the Board of Directors since 1994. Born in 1958, he has a degree in Business Administration from the Getulio Vargas Foundation (FGV). He was previously a member of the Board of Directors and an executive officer of several Grupo Vicunha companies. He is currently the CEO and Chairman of the Board of Directors of Vicunha Têxtil.

#### Clarice Steinbruch

A board member since 1994. Born in 1958, she graduated in Business Administration from the Getulio Vargas Foundation (FGV) and is currently enrolled at the Paulista University Law School. She is a member of the Board of Directors and an executive officer of several Grupo Vicunha companies.

#### Elisabeth Steinbruch Schwarz

A board member since 2005, she was born in 1954 and graduated in Production Engineering from the University of São Paulo's College of Engineering (Poli/USP). She is a member of the Board of Directors and an executive officer of several Grupo Vicunha companies.

#### Luiz Nelson Guedes de Carvalho

An independent board member since 2007, he was born in 1945, graduated in Economics from the University of São Paulo College of Economics, Business Administration and Accounting (FEA/USP), and in Accounting from the São Judas Tadeu College in São Paulo. He also has a master's degree and a PhD in Accounting and Control from FEA/USP. Additionally, he is a tenured FEA-USP professor and a member of the Consulting Commission of the Brazilian Securities Commission (CVM) regarding accounting standards, besides being on the board of directors of several enterprises and magazines concerning accounting standards and the financial and capital markets. He is a member of the International Court of Arbitration of the International Chamber of Commerce (ICC), headquartered in Paris. A research director of the Foundation Institute of Accounting, Actuarial and Financial Research (FIECAP), he was invited to join the Financial Crisis Consulting Group, a joint initiative of FASB (the Financial Accounting Standards Board) and IASB (the International Accounting Standards Board), that aims at generating, by June 2009, a report with recommendations on accounting standardization capable of enabling the reestablishment of investor confidence in financial statements.

#### Ricardo Duarte Caldeira

A board member appointed by IFC, he graduated in Economics from the School of Economic Sciences of Rio de Janeiro and did his post-graduate studies in Engineering Projects at the Federal University of Rio de Janeiro. Additionally, he participated in educational programs for corporate financial executives held at the University of California at Berkeley and Wharton Business School, both in the United States. He also held the position of director-president of a renowned multinational banking institution.

### Members of the Executive Board

Banco Fibra currently has nine executives with wide experience in the financial sector. None of them has any family ties to the members of the Board of Directors, which sets Banco Fibra apart from its competitors.

#### Maercio Soncini

##### Executive Vice-President of the Wholesale Business

He joined Banco Fibra in 1999. Born in 1955, he graduated in Business Administration from the Getulio Vargas Foundation (FGV). He did his post-graduate studies in Financial Administration at FGV, and in Business Administration at Insead-Fontainebleau, France. He has experience in the financial market that dates back to 1978, having worked for the following banks: Crefisul, Francês e Brasileiro (BFB), BankBoston and Sudameris. Additionally,

he is a member of the Fibra Audit Committee and an executive officer of Fibra Asset Management DTVM Ltda and of other companies in the group.

#### Marcio Ronconi de Oliveira

##### Executive Vice-President of the Retail Business

He joined Banco Fibra in 2006. Born in 1952, he graduated in Business Administration from Unid and took several professional development courses, in particular in the area of managerial development and credit games and internships at Credit Lyonnais (Paris) and Visa International (USA). He previously held the positions of Executive Officer in charge of Business Development, Financial Products and Payroll-Deductible Loans at Banco VR and of Senior Executive Officer for the Retail Segment at Banco Inter American Express. He is currently an Executive Officer at GVI.



From left to right: Maercio Soncini, Osias Brito, Ricardo Steinbruch, Luiz Maurício Jardim and Marcio Ronconi

**Osias Santana de Brito****Corporate Executive Vice-President and IR Director**

He joined Banco Fibra in 2007. Born in 1963, he graduated in Accounting from the University of São Paulo College of Economics, Business Administration and Accounting (FEA/USP) and did his Master's degree and PhD in Accounting and Control at the same college. He previously held the positions of chief officer of several areas at Credibanco, Banco WestLB, Santander Banespa and Unibanco. He is the author of three books: *Controladoria de Risco-Retorno* (Risk-Return Control), *Mercado Financeiro* (Financial Market) and *Gestão de Riscos* (Risk Management), published by Editora Saraiva. He was the coordinator of the MBA in Finance of the Mauá Technology Institute from 2000 to 2002 and is currently a professor of Finance at Fundação Getulio Vargas (FGV).

**Luiz Maurício Lamenza de Moraes Jardim****Chief Officer for Treasury, Funding and International**

He joined Banco Fibra in September 2008. Born in 1964, he completed his post-graduate studies at the Gay-Lussac Institute, where he specialized in Economics. He also studied at Berkeley, California. He worked for Banco Nacional S.A. for 11 years, having been in charge of corporate finance from 1989 to 1995; for Unibanco for 10 years, having held the position of the executive officer from 1995 to 2005; and for Standard Bank for three years, as senior executive officer, from 2005 to 2008.

**Carlos Alexandre Ribeiro Bicudo****Chief Credit Officer**

He joined Banco Fibra in 2003. Born in 1968, he graduated in Chemistry from Mackenzie University, having also studied Business Administration at the University of São Paulo College of Economics, Business Administration and Accounting (FEA/USP). He has worked in the credit area since 1992, having previously been employed by Banco Itamarati and Banco ABC Brasil.

**Gustavo Fonseca Troccoli****Chief Officer for Structured Products and Operations**

He joined Banco Fibra in 1999. Born in 1962, he graduated in Economics from Cândido Mendes University in Rio de Janeiro and holds a graduate degree in Derivatives from BM&F (Brazil's Commodities and Futures Exchange), specializing in Fixed Income Elements, Evaluation of Options Agreements, Volatility Estimation, Interest Rates Options, and Risk Management. He worked for Banco Icatu S.A. for eight years, having also held the position of controller at International Corporate Finance – Latin America (LAIBG), part of Banque Nationale de Paris – BNP. He has vast experience in the fields of structuring and sale of treasury and commercial products and local interbank relations. He is also the investor relations director of Fibra Companhia Securitizadora de Créditos Imobiliários.

**Luciana Buchmann Freire****Chief Legal Officer**

She joined Banco Fibra in 2001. Born in 1966, she is a Law graduate with specialization in Corporate Law and Administration of Financial Institutions from the University of São Paulo. She previously worked for Banco Rabobank International Brasil S.A. as the executive officer in charge of the legal and compliance areas; for Banco Santos S.A., in charge of the legal area; and for the Noronha Advogados law firm, as an international banking lawyer. She is a member of the Legal Commission of ABCC, the Brazilian Association of Commercial Banks, and of the Legal Commission of Febraban, the Brazilian Federation of Banks.

**Simone Schmidt Belleza Colombino****Chief Middle Market Officer**

She joined Banco Fibra in 2000. Born in 1963, she is a Law graduate from the Faculdades Metropolitanas Unidas College (FMU), with an MBA in Marketing from the Armando



Alvares Penteado Foundation (FAAP). She has more than 25 years of experience in the financial market, having worked for Unibanco, BFB, Banco Cidade (BNP), Excel Banco and BBV in the corporate and middle market segments.

**Ricardo Fuscaldi de Figueiredo Baptista****Chief Officer for Risks, Compliance and Operations Support**

He joined Banco Fibra in 2007. Born in 1970, he graduated in Electronic Engineering from ITA (the Aeronautics Technological Institute) and has an MBA in Finance from Ibmecc, a Master's Degree in Statistics from the University of São Paulo and is currently working on his PhD in Finance at the Getulio Vargas Foundation (FGV). He has the title of

Financial Risk Manager from the Global Association of Risk Professionals (GARP). He was previously responsible for the telecom infrastructure of the São Paulo branch of the Brazilian Central Bank, in addition to having held the positions of Treasury Manager at Banco Excel-Econômico, Risk Management Manager at Banco Bradesco, and Risk and Credit Officer at the Wealth Management area of UBS Pactual for Brazil and Latin America.

## 2. RISKS

### Management guidelines

Adopting the best practices of the international market ensures competent risk management, focused on protecting capital.

Banco Fibra has a risk management structure whose aim is to protect the Bank's capital, in keeping with the core principle of its operating policy of prioritizing prudence over high returns. The institution works with an integrated view of the management of all risks, while maintaining specific focuses for each area: credit, operational, liquidity and market.

In order to fulfill this task, risk management is backed by several Risk Committees (corporate credit, retail credit, assets and liabilities, and market), all of which engage in technical and operating activities. The objective is to identify risk factors and to provide relevant inputs for management decisions, so as to minimize losses and limit impact on the business, while ensuring optimum efficiency.

The following 2008 initiatives merit highlighting:

- Segregation of the risk control area;
- Creation of the credit risk control area;
- Development of business contingency plans and tests;
- Approval of new products only once all their risks have been mapped and assessed;

## AN INTEGRATED VIEW AND THE BEST MARKET PRACTICES ENABLE APPROPRIATE MANAGEMENT OF OPERATING RISKS

- High specialization, above market standards, of the internal controls area, especially where the treasury area is concerned;
- Structural improvement, both in terms of projects and in the number of personnel, in the information security compliance area;
- Improved regulatory compliance, in order to ensure that all of the Bank's areas are in line with all the norms and standards released by the regulating agencies;
- Adoption of auxiliary models to forecast cash flow and multidisciplinary activities for liquidity control; and
- Automation of compliance activities, eliminating analysts' operational risk and improving efficiency and precision.

### Credit Risk

Security is the chief guideline when it comes to granting credit. Therefore, the risk of all applications submitted, regardless of whether they concern corporate or retail credit, is evaluated in accordance with the internal procedures established for each of the different segments.

In order to evaluate corporate loans, the credit area focuses on the companies' cash-generation capabilities and on the risk factors connected with the operation. The loan is subject to the firm's capacity to produce a suitable cash flow to support its business as well as its access to funding.

Retail operations, in turn, receive an automated treatment by the GVI risk area. The systems have carefully designed parameters, so as to handle applications for credit in accordance with several internal screens, based on historical statistical series, policy, qualification

assessments (scoring), and fraud prevention. Moreover, these systems enable risk evaluation by region, segment and even by point of sale. There is a flow of approvals whereby certain applications are sent for analysis to a credit board where they are assessed according to internally established policies. Thus, the proper formalization of operations is assured, which contributes to the efficiency of the internal controls.

The credit risk control area, created in June 2008, was born out of the need to segregate the risk management and risk control areas within the Bank, ensuring independent reporting, in keeping with corporate governance standards. Among other activities, the area monitors and controls the portfolio's concentration risk, besides generating input to fulfill regulatory requirements.

### Operational Risk

Operational risk control is crucial for the creation of added value, its success being based on culture dissemination, availability of tools, wide disclosure of policies and implementation of methodologies.

Thanks to ongoing work in the field of operational risk management and control, we are preparing to meet the guidelines of the New Basel Capital Agreement, in accordance with the timeframe established by Brazil's Central Bank. Our aim is to qualify for the Advanced Capital Allocation Model.

In order to meet the requirements of international market practices as well as the regulations of the Brazilian financial market, Banco Fibra has created an internal control structure to standardize language, to make it



Funding area

easier for all its personnel to understand risk and control, to carry out evaluations of activities and processes from time to time, and to identify inherent risks and the effectiveness of the controls that are in place. Furthermore, the Bank actively designs action plans to mitigate the identified risks and to improve controls.

### Liquidity Risks

Strict liquidity control aims at maintaining appropriate liquidity levels relative to the profile of Fibra's operations. Besides a contingency plan, the Bank manages its cash daily, through objective cash control tools and daily tracking of minimum liquidity levels.

### Control of the Cash Objective

This concerns the comfortable level of cash considered appropriate in the light of the bank's credit and funding activities and which the management of assets and liabilities targets on a daily basis. The cash objective is determined by ALCO (the Assets and Liabilities Committee), which meets every fortnight to establish the assets and liabilities strategies for the subsequent periods. At year end 2008, the cash objective equaled approximately 80% of the Bank's net equity.

### Control of the Liquidity Risk

The liquidity level is tracked daily by the MIS (management information system) section of the treasury area, taking into account the flow of maturing payments up until the exhaustion of the assets and liabilities portfolios. Liquidity is monitored by ALCO (the Assets and Liabilities Committee), which determines the alternatives for managing the minimum level of cash that the Bank must maintain, in line with its risk exposure, which results from the characteristics of its assets and liabilities, its capital adequacy ratio and market conditions. Effective cash (cash after haircuts based on risk factors and availabilities) is used as the parameter for controlling liquidity and for triggering the contingency plan whenever a level is reached that is below the minimum liquidity reserve, as documented in an internal policy approved by ALCO and senior management.

### Liquidity Contingency Plan

A management tool establishing the actions and measures to be taken whenever the short-term liquidity forecast indicates a level lower than the minimum floor established. In the event of a scarcity of funds or of a deepening of a financial market's crisis, this plan includes a number of alternatives: external fund raising (through our strategic foreign shareholder); credit assignment; guarantees and sureties; raising funds among the enterprises in the parent company's group; reduction or even suspension of loans

until the liquidity situation recovers, and sale of the corporate bonds portfolio.

### Market Risk

Based on methodologies and models aligned with the best international practices, the market risk is monitored through a set of controls that includes the V@R (value at risk) concept, stress simulations, and concentration per time bucket, the latter being calculated based on the stress scenarios. The

internal policy for the management of market risks also describes results and volume limits. To validate the systems, a back-test is carried out at least once a month.

Possible losses due to adverse rate and market price trends would affect the Bank's position as a result of the gaps between the assets and liabilities portfolios, caused by different terms, currencies and indexers. To manage this risk, the elements that can affect the value of the portfolios are observed and controlled.

V@R of Banco FIBRA - in thousands of R\$	31-Dec-08	31-Dec-07
Fixed Rate	3,949.9	2,951.3
Foreign Exchange variation	3,730.8	481.9
Stocks/Ibovespa	5,847.4	3,510.3
Selic/IPCA	12.0	15.1
Others	772.9	12.8
Effect of Diversification	(5,142.8)	(2,245.9)
TOTAL GLOBAL V@R (*)	9,170.2	4,725.5

(\*) Value at risk, considering confidence level of 97.5%.

### Compliance

Banco Fibra's internal compliance and control system is an important risk management tool. It encompasses the entire institution in order to enable a safer, more appropriate and more efficient management of its businesses, in keeping with the rules of the Central Bank and of other regulating agencies. The compliance area is responsible for ensuring that all of the Bank's personnel complies with rules and regulations, the code of ethics, and the corporate policies and procedures.

In order to ensure that the mapping of processes and risks is permanently up-to-date, as well as to report any suspicions about failures, frauds, risks, conflicts and other internal control issues, Banco Fibra has, besides the members of the compliance area, compliance agents in each of the institution's areas. They are the multiplying agents for the operational risk management, compliance and internal controls culture.

#### Anti-money laundering and Know your Customer

The Bank has a structured system that helps prevent cases of corruption and the use of the financial system for illicit business deals. The Know your Customer policy, the strong investment in control systems, processes and training, and the monitoring of the operations enable Fibra to identify, in a timely manner, abnormal situations that, regardless of their having actually occurred, are evaluated as to whether they should be relayed to the appropriate authorities. If this is deemed advisable, and even if the operation was not carried out, the case is submitted to the authorities. The business units have autonomy to turn down business deals and operations that they feel are suspect or atypical.

### Internal Controls and Operational Risks

The Bank adopts updated internal control processes in order to maintain high standards of credibility and security. The use of an operational risk management methodology enables the institution to identify, measure, evaluate and monitor its operational risks, thus minimizing exposure to relevant risks.

### Compliance with Regulations

This is an effective system to ensure compliance with legal regulations and internal policies. To this end, daily

monitoring is carried out, which ensures the timely release of the rules passed by the regulating agencies as well as compliance of Fibra's processes.

### Information Security

The confidentiality, integrity and availability of Banco Fibra data is due to its policies and the ongoing improvement of its procedures and controls in the technology area regarding analysis, planning, implementation and maintenance. Information security practices are embraced by all of the Bank's areas, including the business areas.



Banco Fibra's headquarters, São Paulo



THREADS OF WOOL

# Sustainability: a concept that permeates business

POLICIES FOCUS ON THE NEEDS AND  
DESIRES OF ALL THE AUDIENCES WITH  
WHICH FIBRA MAINTAINS A RELATIONSHIP

## 1. RELATIONS

### Different points of view

Banco Fibrá's activities always take into account all the interested parties, and its actions are always multi-stakeholder oriented.

In 2008, a multidisciplinary commission was created to provide the Bank with guidance on this theme and design action plans involving the Bank's and GVI's personnel.

### Customers

Banco Fibrá believes that sustainability must, first and foremost, permeate all its business. As the bank is essentially a credit institution, its policies focus on this product. In 2007, a socio-environmental policy was formalized, in line with IFC directives. Through this, Banco Fibrá is committed to providing support for firms that have social and environmental practices aligned with IFC strategy.

Procedures for evaluating and monitoring customers were put in place, including the analysis of firms' practices and fields of business. The policy primarily encompasses exclusion criteria regarding customer relations and counterparties that operate in certain segments.

Fibra aims at maintaining lasting, sound and trusting relations with its customers. An in-depth knowledge of their business and of their requirements enables the Bank to develop products that are appropriate for each stage of their operating cycle. To enhance this closeness, special events are held for both Bank and GVI customers in São Paulo and in the regional offices.

Fibra's ombudsman's position is headed by a Bank officer and has different structures for seeing to corporate customers and to individuals. Its chief function is to receive, record, instruct, analyze and provide formal and suitable treatment of those complaints of customers and of users of products and services that were not solved by the institution's regular customer service areas, but it also provides a channel for dialogue with these audiences.

### Shareholders and Investors

Grupo Vicunha (the controlling shareholder) and IFC have an agreement to maintain their current stakes in the business for at least another four years. The document establishes veto rights regarding certain subjects that must be submitted to General Meeting approval and regulates the terms and conditions for the election of the members of the Board of Directors. Furthermore, it determines the need for a qualified quorum to decide on issues such as operations with

related parties, the replacement of independent auditors and business plan changes.

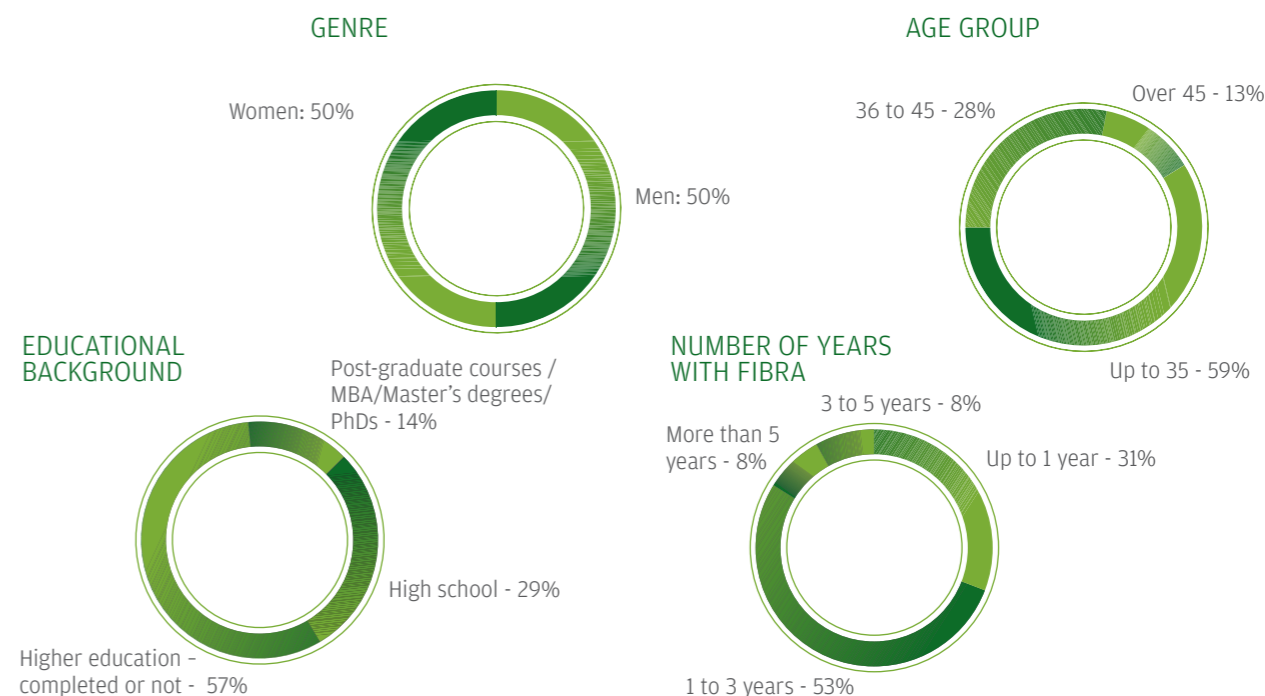
So as to ensure the total independence of both shareholders, there is no type of family connection between Fibra's executive officers and the board members or the controlling family. All Fibra's key executives are independent professionals, with no conflicts of interest with stakeholders. Thus, strategic decisions are based solely on normal course of business.

Since 2007, the Bank has had a dedicated Investor Relations (IR) team. Its work includes preparing quarterly releases, seeing to the rating agencies, providing support for the Bank's funding initiatives, and institutional presentations for a number of audiences. In 2008, in line with its commitment to transparency, Fibra launched its IR website, which offers internauts a range of information about the Bank, also enabling them to register to get online institutional news.

### Personnel

Banco Fibra's personnel are one of the main pillars of its growth. Recognizing their importance, the Bank maintains a transparent human resources policy, which combines performance evaluation targets with a variable pay model. It also invests continuously in professional development programs.

Fibra ended 2008 with 858 employees, which combine youth (almost two thirds are no older than 35), experience, and a sound academic background. Its programs for interns, trainees and young apprentices provide support for the development of its future personnel.



In 2008, the Bank distributed R\$20 million in the form of profit sharing. The amount paid out as salaries and connected charges totaled R\$ 87 million, 13% above the 2007 figure.

One of the Bank's basic values is acknowledging the importance of its personnel. Therefore, it invests in several types of training, particularly in the commercial area. In 2008, this amounted to R\$ 580 thousand.

Along with the other Grupo Vicunha firms, Fibra offers its managers the Getulio Vargas Foundation (FGV) in-company MBA program, which centers on corporate management and that is currently training its third class. In 2008, 18 employees took part in this program; 3 of them had a grant covering 50% of the cost while the others benefited from a special discount, thanks to the group's partnering arrangement with FGV. For 2009, 7 places were allocated to family members. We provided a total of 10 grants for post-graduate studies and MBAs: the 3 aforementioned ones at FGV and the others at educational institutions such as USP, IBMEC, etc. At GVI,

besides FGV, there are partnering arrangements with PUC and Mackenzie, which guarantee a discount on the monthly school fees for employees' children.

The institution ensures that its professionals have the opportunity of improving their health and quality of life. During the Health Week, held once a year, checkups as well as courses and talks on exercise and nourishment are provided.

Fibra and GVI have agreements with health clubs, opticians, laundries, drugstores, language schools and restaurants that grant discounts to their personnel. Festive dates such as Easter, Children's Day and Christmas are always celebrated with the distribution of gifts to employees and their family.

### Suppliers

The choice and hiring of suppliers and service providers must always be based on technical, professional and ethical criteria, as well as on the Bank's needs, and must

**THE BANK INVESTS IN THE PROFESSIONAL DEVELOPMENT AND THE QUALITY OF LIFE OF ITS MAIN PILLAR OF GROWTH: PEOPLE**

be conducted based on predefined processes (bids or price quotes), to ensure the best cost-benefit ratio. One should not hire suppliers and service providers whose reputation could put Banco Fibra's image at risk, which must be conserved at all costs.

The Bank's Third Party Services Hiring Policy defines the guidelines for hiring firms that provide services.

All new contracts with suppliers have clauses about protecting human rights and prohibiting the employment of child or slave labor, as well as environmental clauses, in compliance with environmental protection.

## Society

The Bank is committed to society and to environmental conservation. It manifests its commitment through initiatives built into the institution's culture and that aim at involving all employees. The objective is to enhance the spirit of solidarity amongst them, as well as their awareness of their role in building a better world for future generations.

The institution's aid for projects fits within its specific policy about social responsibility (which can be found both in the Bank's intranet and in its IR site). This sets out in detail all the criteria that must be met, such as the aptness of the entities and the actual social and professional inclusion of the participants. Its chief aim is to foster access to education, culture and wellbeing for all, in particular for those children and adolescents in this country that find themselves at risk in social terms. The institutes and social projects that the Bank aids are:

### Travessia Project

Direct aid to children and adolescents at risk, through educational activities. The project is coordinated by the Bank Workers' Union. Banco Fibra has been involved in this initiative since its inception in 1996.

### Project for the Expansion of Educational Territory at the Heliópolis Shantytown (Inpros – Social Projects Institute)

This works with the teachers and students from public schools within the Heliópolis community, aiming at improving the literacy and writing of elementary school children; it has aided some 400 students.

### Reciclar Institute

Training and reintegration of adolescents from low-income families from the Jaguaré shantytown in São Paulo so as to help them to enter the job market. In recent years, the Bank helped the entity by buying its Christmas cards, customer gifts and office supplies.

### Casa Hope Home

Full social assistance to underprivileged people who suffer from cancer and those who are accompanying them for treatment during their stay in São Paulo, and continuing treatment after the patients are released from hospital.

### GRAACC (Aid Group for Adolescents and Children with Cancer)

Aid for children and adolescents with cancer, giving them the right to an opportunity for a cure, with quality of life.

### SOS State of Santa Catarina

Aid to the flood victims who lost their homes in the state of Santa Catarina, by means of Fibra and GVI personnel donations. GVI also exempted all its customers in the affected regions of the state from paying fines and charges, besides directly helping the family of one of its employees with the purchase of furniture, electrical appliances, staple food items and clothing.

### Solidary Christmas Program

A post-office initiative for citizens to respond to children's letters to Santa Claus, and, if possible, fulfilling the children's wishes. The Bank's personnel sent gifts to some 200 children.

## Government

In keeping with the guidelines of the Code of Ethics

and Conduct, high standards of honesty and integrity must be maintained in all contact with government sector administrators and staff, always avoiding improper conduct.

When advocating Fibra's interests, its personnel shall act in accordance with the Bank's operation model and consequently it shall comply with ethical principles and with the laws and rules that are in force.

## VALUE ADDED STATEMENT\*

FOR THE PERIODS ENDED DECEMBER 31, 2008 AND 2007

FIBRA CONSOLIDATED	2008		2007	
	R\$ (in thousands)	%	R\$ (in thousands)	%
<b>Value Added Composition</b>				
Gross Income on Financial Operations	295,087	133	237,271	126
Services Fee Income	29,553	13	22,963	12
Other Operating Income (Expenses)	(103,456)	-46	(72,396)	-38
<b>Total Value Added</b>	<b>221,184</b>	<b>100</b>	<b>187,838</b>	<b>100</b>
<b>Value Added Distribution</b>				
<b>Compensation</b>	<b>92,658</b>	<b>42</b>	<b>74,263</b>	<b>40</b>
Income	55,114	25	59,555	32
Benefits	11,243	5	9,204	5
Federal Severance Pay Fund	5,030	2	4,409	2
Other Charges	21,271	10	1,095	1
<b>Taxation</b>	<b>26,070</b>	<b>12</b>	<b>44,907</b>	<b>23</b>
Tax Expenses	28,094	13	6,490	3
Income and Social Contribution Taxes	(16,265)	-7	24,861	13
INSS	14,241	6	13,556	7
<b>Interest on own capital paid / Dividends paid and / or proposed</b>	<b>82,224</b>	<b>37</b>	<b>29,437</b>	<b>16</b>
<b>Profits reinvested</b>	<b>20,232</b>	<b>9</b>	<b>39,231</b>	<b>21</b>
<b>Total</b>	<b>221,184</b>	<b>100</b>	<b>187,838</b>	<b>100</b>

\*Excludes the effects of foreign exchange hedge to protect the Bank's investment abroad and results.

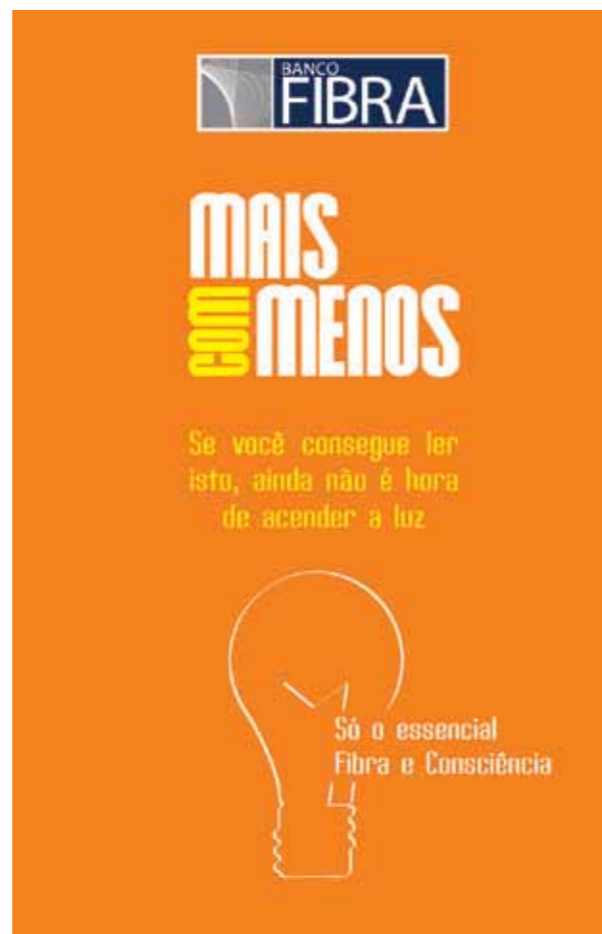
## The Environment

Besides the socio-environmental policy that deals essentially with granting credit, the Bank has internal practices geared toward the conservation of natural resources and the dissemination of an environmental conservation culture.

The internal environmental management practices include initiatives to reduce water and power consumption, including the installation of presence sensors in the São Paulo head offices. Selective waste collection is also carried out, the sorted waste being sent to the institution Comunidade Brasil for recycling.

In 2008, Fibra conducted an internal campaign, *Fibra Mais com Menos*, which encourages rational use of resources (water, power, plastic, phone, paper, food, transport and time), with a view to lessening the impact on the environment, society and the economy. Booklets and e-mails were distributed, with practical tips on how to incorporate these habits into one's daily life. An in-house contest was also held, whose winning projects were implemented. These involved, among others:

- Reducing water consumption within Banco Fibra;
- Controlling power consumption within the Bank by installing sensors;
- Rationalizing the reading and destination of e-mails, by focusing on the parties directly involved.



*Mais com Menos* Campaign: piece posted on all light switches

## 2. GLOBAL COMPACT

### For the future of mankind

Based on its vision of sustainability, Fibra joined the Global Compact in 2003 and every year it reports its initiatives as well as its economic, financial and socio-environmental advances. It is also committed to the Millennium Objectives.

The aim of this initiative is to mobilize the leaders of the international business community to support the United Nations in promoting fundamental values in the environmental and human and labor rights areas. To this end, ten principles were established.

### The Global Compact Principles

#### Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** Make sure that they are not complicit in human rights abuses.

#### Labour Standards

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** The elimination of all forms of forced and compulsory labour;
- **Principle 5:** The effective abolition of child labour; and
- **Principle 6:** The elimination of discrimination in respect of employment and occupation.

#### Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** Undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.



#### Anti-Corruption











- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.







These principles also govern the Millennium Objectives:

- **1.** Ending hunger and misery.
- **2.** Providing good quality education for all.
- **3.** Promoting the equality of genders and the acknowledgement of women's value.
- **4.** Reducing children's mortality rate.
- **5.** Improving pregnant women's health.
- **6.** Fighting Aids, malaria and other diseases.
- **7.** Fostering quality of life and respect for the environment.
- **8.** Having everyone work toward development.

GLOBAL COMPACT DIRECTIVES UNDERSCORE THE WORK, WITH A VIEW TO BUILDING A MORE PROMISING WORLD FOR FUTURE GENERATIONS

Fibra's sustainability initiatives are guided by both the Global Compact and the Millennium Objectives:

MILLENNIUM OBJECTIVES	GLOBAL COMPACT PRINCIPLES	ACTIONS
		<ul style="list-style-type: none"><li>Travessia Project</li><li>Reciclar Project</li><li>Solidary Christmas Program</li></ul>
		<ul style="list-style-type: none"><li>Heliópolis Project</li></ul>
		<ul style="list-style-type: none"><li>Equal pay for men and women in the same job</li></ul>
		<ul style="list-style-type: none"><li>Casa Hope Home</li><li>GRAACC</li></ul>
		<ul style="list-style-type: none"><li>Health Week</li></ul>

		<ul style="list-style-type: none"><li>Casa Hope Home</li><li>GRAACC</li></ul>
		<ul style="list-style-type: none"><li>Socio-environmental responsibility policy</li><li>Fibra Mais com Menos</li><li>Environmental protection clauses in agreements with suppliers</li></ul>
		<ul style="list-style-type: none"><li>Code of Ethics</li><li>Human rights protection clauses (child and slave labor) in agreements with suppliers</li></ul>



Training session

## ANNUAL SOCIAL BALANCE SHEET\*

1. Calculation Basis		2008 Amount (in thousands of R\$)		2007 Amount (in thousands of R\$)			
Net revenues (NR)		295,087		237,271			
Operating income (OI)		108,142		82,597			
Personnel expenses (PE)		86,842		76,557			
2. Internal Social Indicators		Amount (thousands)	% over PE	% over NR	Amount (thousands)	% over PE	% over NR
Food		3,117	4	1	2,306	3	1
Compulsory social charges compulsories		21,846	25	7	14,481	19	6
Private pension plans		0	0	0	0	0	0
Health		9,434	11	3	3,948	5	2
Occupational health and safety		0	0	0	0	0	0
Education		63	0	0	41	0	0
Culture		-	0	0	-	0	0
Training and professional development		581	1	0	504	1	0
Daycare or daycare assistance		131	0	0	122	0	0
Profit sharing		20,057	23	7	27,128	35	11
Miscellaneous		0	0	0	0	0	0
Total – Internal social indicators		55,229	64	19	48,530	63	20
3. External Social Indicators		Amount (thousands)	% over PE	% over NR	Amount (thousands)	% over PE	% over NR
Education		230	0	0	-	0	0
Culture		62	0	0	340	0	0
Sports		-	0	0	-	0	0
Others		78	0	0	127	0	0
Total social charges		370	0	0	467	1	0
Taxes (excluding social charges)		11,829	11	4	31,520	38	13
Total – External social indicators		12,199	11	4	31,987	39	13
4. Environmental Indicators		Amount (thousands)	% over PE	% over NR	Amount (thousands)	% over PE	% over NR
Investment in company production / operations		-	0	0	-	0	0
Investment in programs and/or external projects		-	0	0	-	0	0
Total investment in environment		-	0	0	-	0	0
5. Company staff indicators		2008		2007			
Number of employees at the end of period		858		1,013			
Number of hirings during the period		370		693			
Number of outsourced employees		75		71			
Number of interns		23		13			
Number of employees over 45 years-old		114		120			
Number of women who work at the company		425		532			
% of management positions occupied by women		31%		37%			
Number of blacks who work at the company		75		46			
% of management position occupied by blacks		2%		ND			
6. Corporate citizenship information		2008		2009 TARGETS			
Total number of work accidents		1		0			
Social and environmental projects carried out by the company were determined by:	( ) officers (X) officers and managers ( ) all employees	( ) officers (X) officers and managers ( ) all employees		( ) officers (X) officers and managers ( ) all employees			
Health and safety standards for the work environment were determined by:	( ) officers and managers ( ) all employees (X) all + CIPA	( ) officers and managers ( ) all employees (X) all + CIPA		( ) officers and managers ( ) all employees (X) all + CIPA			
With regard to trade union freedom, the right to collective bargaining and internal representation of workers, the company:	( ) does not get involved ( ) follows ILO norms (X) encourages and follows ILO norms	( ) does not get involved ( ) follows ILO norms (X) encourages and follows ILO norms		( ) does not get involved ( ) follows ILO norms (X) encourages and follows ILO norms			
Private pensions cover:	( ) officers ( ) officers and managers ( ) all employees	( ) officers ( ) officers and managers ( ) all employees		( ) officers ( ) officers and managers ( ) all employees			
(X) There is not private pension							
Profit sharing includes:	( ) officers ( ) officers and managers (X) all employees	( ) officers ( ) officers and managers (X) all employees		( ) officers ( ) officers and managers (X) all employees			
In the selection of vendors, the same ethical, social and environmental standards adopted by the company:	( ) are not considered ( ) are suggested (X) are required	( ) are not considered ( ) are suggested (X) are required		( ) are not considered ( ) are suggested (X) are required			
With regard to participation of employees in volunteer activities, the company:	( ) does not get involved (X) supports ( ) organizes and encourages	( ) does not get involved ( ) supports ( ) organizes and encourages		( ) does not get involved ( ) supports (X) organizes and encourages			
Total number of complaints and criticism from consumers:	in the company: 402 at Procon: 281 in Court: 1,045	Prepare and raise awareness of employees to reduce the number of complaints					
% of complaints and criticisms resolved:	in the company: 99% at Procon: 80% in Court: 23%	in the Company: 100% at Procon: NA in Court: NA					
Total distribution of value added (in thousands of R\$):	In 2008: 221,184		In 2007: 187,838				
Distribution of Value Added (DVA):	12% government 42% employees 37% shareholders 9% reinvestment		23% government 40% employees 16% shareholders 21% reinvestment				
7. Other Information							
Head Offices: São Paulo, state of São Paulo – National Corporate Taxpayers' Register: 58.616.418/0001-48 – For clarifications about the declared information: Julia Reid Ferretti – tel: 55 (11) 3847.6640 – e-mail: respsocial@bancofibra.com.br. This company does not employ child or slave labor, has no involvement with prostitution and sexual exploitation of children and adolescents and is not involved with corruption. Our company values and respects diversity.							

(\*) Excludes effects of foreign exchange hedge to protect the Bank's investment abroad and results.



# Banco Fibra S.A.

## FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil.)

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1. INDEPENDENT AUDITORS' REPORT

To Board of Directors, Managers and Shareholders of Banco Fibra S.A. São Paulo - SP

We have examined the balance sheets of Banco Fibra S.A. and the consolidated balance sheets of Banco Fibra S.A. and its subsidiaries, including the consolidated special purpose entity represented by an exclusive investment fund, as of December 31, 2008 and 2007 and the related statements of income, changes in shareholders' equity (Banco Fibra S.A.), and changes in cash flows for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

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

as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Banco Fibra S.A. and the consolidated financial position of Banco Fibra S.A. and its subsidiaries, including the consolidated special purpose entity represented by an exclusive investment fund, as of December 31, 2008 and 2007, the results of their operations, changes in its shareholders' equity (Banco Fibra S.A.) and its cash flows for the years then ended, in conformity with accounting practices adopted in Brazil.

The financial statements related to the year ended December 31, 2007 have been restated to include the adjusted balances according to that mentioned in explanatory note 2.

February 26, 2009

KPMG Auditores Independentes  
CRC 2SP014428/O-6  
Original in Portuguese signed by  
Giuseppe Masi  
Accountant CRC 1SP176273/O-7

2. BANCO FIBRA S.A. - BALANCE SHEETS - DECEMBER 31, 2008 AND 2007 (In thousand of Reais)

Assets	Banco Fibra S.A		Fibra Consolidated	
	2008	2007	2008	2007
Current assets	8,152,276	13,095,501	7,829,119	12,825,442
Cash and banks	75,576	6,712	76,818	8,065
Interbank investments	1,108,287	7,378,925	1,108,287	7,378,925
Money market	493,497	7,306,891	493,497	7,306,891
Interbank deposits	35,679	33,048	35,679	33,048
Foreign currency deposits	579,111	38,986	579,111	38,986
Securities and derivative financial instruments	3,416,090	2,255,973	3,072,639	1,929,201
Own portfolio	1,318,190	553,577	976,140	200,213
Subject to repurchase commitments	1,660,241	1,503,430	1,660,241	1,503,430
Derivative financial instruments	40,313	25,120	38,912	18,330
Deposited with the Central Bank of Brazil	92,920	45,395	92,920	45,395
Subject to guarantees provided	150,474	64,668	150,474	98,050
Securities subject to repurchase commitments and free transactions	153,952	63,783	153,952	63,783
Interbank accounts	20,272	93,172	20,272	93,172
Term deposits - Deposited with the Central Bank of Brazil	19,158	85,718	19,158	85,718
Correspondents	1,114	7,454	1,114	7,454
Loans	2,559,025	2,689,192	2,559,025	2,689,192
Loans				
Public sector	32,692	62,141	32,692	62,141
Private sector	2,667,155	2,730,757	2,667,155	2,730,757
Allowance for doubtful loans	(140,822)	(103,706)	(140,822)	(103,706)
Lease operations	49	226	49	226
Lease receivable - Private sector	49	227	49	227
Allowance for doubtful lease receivables	-	(1)	-	(1)
Other receivables	956,655	656,015	975,594	710,450

Assets	Banco Fibra S,A		Fibra Consolidated	
	2008	2007	2008	2007
Guarantees honored	-	544	-	544
Foreign exchange portfolio	842,855	540,855	842,855	540,855
Income receivable	255	204	449	1,180
Securities clearing accounts	4,771	3,195	5,796	9,122
Other	133,554	117,337	151,539	165,393
Tax credits	35,932	22,867	40,230	35,245
Real estate receivables	-	-	5,972	8,339
Other	97,622	94,470	105,337	121,809
Allowance for doubtful receivables	(24,780)	(6,120)	(25,045)	(6,644)
Other assets	16,322	15,286	16,435	16,211
Other assets	-	2,364	-	2,522
Provision for devaluation	-	(1,246)	-	(1,246)
Prepaid expenses	16,322	14,168	16,435	14,935
Long term receivables	1,203,646	870,405	1,270,550	898,528
Interbank investments	-	1,063	-	1,063
Foreign currency deposits	-	1,063	-	1,063
Securities and derivative financial instruments	338,290	49,300	291,778	4,020
Derivative financial instruments	338,290	49,300	291,778	4,020
Loans	579,123	682,118	579,123	682,118
Public sector	35,934	-	35,934	-
Private sector	543,189	682,118	543,189	682,118
Other receivables	251,252	110,705	363,968	184,108
Other	251,252	110,705	363,968	184,108
Tax credits	246,581	109,096	278,712	121,943
Real estate receivables	-	-	20,543	27,243
Other	4,671	1,609	64,713	34,922
Other assets	34,981	27,219	35,681	27,219
Other assets	1,870	-	2,246	-
Prepaid expenses	34,210	27,219	34,752	27,219
Provision for devaluation	(1,099)	-	(1,317)	-
Permanent assets	233,600	201,753	81,804	84,462
Investments	164,140	130,201	2,923	4,278
Shareholding interest in subsidiaries - In Brazil	162,282	126,488	-	-
Other investments	1,858	3,713	2,923	4,278
Premises and equipment	4,927	4,153	9,093	8,250
Other fixed assets	11,953	10,049	18,438	15,362
Accumulated depreciation	(7,026)	(5,896)	(9,345)	(7,112)
Deferred charges	2,354	3,037	6,299	7,384
Organization and expansion expenses	6,770	6,146	11,281	10,913
Accumulated amortization	(4,416)	(3,109)	(4,982)	(3,529)
Intangible	62,179	64,362	63,489	64,550
Goodwill on investments	61,733	61,733	61,733	61,733
Amortization of goodwill on investments	(7,201)	(1,028)	(7,201)	(1,028)
Acquisition and development of software	11,333	5,956	13,000	6,310
Amortization of acquisition/development of software	(3,686)	(2,299)	(4,043)	(2,465)
TOTAL ASSETS	9,589,522	14,167,659	9,181,473	13,808,432

See the accompanying notes to the financial statements.

Liabilities	Banco Fibra S.A		Fibra Consolidated	
	2008	2007	2008	2007
Current liabilities	6,770,375	11,964,687	6,332,532	11,881,368
<b>Deposits</b>	<b>2,452,669</b>	<b>2,446,716</b>	<b>2,383,971</b>	<b>2,321,308</b>
Demand deposits	105,917	123,013	103,204	122,171
Interbank deposits	521,505	498,806	493,979	389,551
Time deposits	1,824,118	1,824,083	1,785,659	1,808,772
Other deposits	1,129	814	1,129	814
<b>Money market repurchase commitment</b>	<b>1,834,490</b>	<b>8,322,481</b>	<b>1,834,490</b>	<b>8,322,481</b>
Own portfolio	1,808,603	1,524,568	1,808,603	1,524,568
Third party portfolio	10,276	4,994,784	10,276	4,994,784
Free transaction portfolio	15,611	1,803,129	15,611	1,803,129
<b>Acceptances and Endorsements</b>	<b>334,958</b>	<b>106,636</b>	<b>334,958</b>	<b>106,636</b>
Notes and bonds issued abroad	298,796	106,636	298,796	106,636
Housing bond funds	36,162	-	36,162	-
<b>Interbank accounts</b>	<b>467,136</b>	<b>2,489</b>	<b>81,043</b>	<b>-</b>
Interbank repasses	467,136	2,489	81,043	-
<b>Interbranch accounts</b>	<b>32,239</b>	<b>6,649</b>	<b>32,239</b>	<b>6,649</b>
Third party funds in transit	31,874	5,796	31,874	5,796
Own funds in transit	365	853	365	853
<b>Borrowings</b>	<b>1,056,734</b>	<b>745,050</b>	<b>1,056,734</b>	<b>745,050</b>
Foreign currency trade finance borrowings	1,056,734	745,050	1,056,734	745,050
<b>Repass borrowings from public sector</b>	<b>186,212</b>	<b>99,631</b>	<b>186,212</b>	<b>99,631</b>
FINAME repass	186,212	99,631	186,212	99,631
<b>Derivative financial instruments</b>	<b>66,786</b>	<b>6,194</b>	<b>66,731</b>	<b>6,900</b>
Derivative financial instruments	66,786	6,194	66,731	6,900
<b>Other liabilities</b>	<b>339,151</b>	<b>228,841</b>	<b>356,154</b>	<b>272,713</b>
Collection of taxes	1,250	444	1,250	444
Foreign exchange portfolio	152,050	41,491	152,050	41,491
Due to shareholders	2,806	12,997	2,806	12,997
Taxes payable	147,250	115,136	156,699	122,048
Due in connection with securities dealing	56	3,912	1,081	9,838
Subordinated debts	1,753	1,306	1,753	1,306
Other	33,986	53,555	40,515	84,589

Liabilities	Banco Fibra S.A		Fibra Consolidated	
	2008	2007	2008	2007
Long term liabilities	2,058,587	1,695,868	2,088,356	1,419,937
<b>Deposits (Note 12)</b>	<b>328,461</b>	<b>297,730</b>	<b>323,965</b>	<b>277,584</b>
Interbank deposits	173	3,174	-	-
Time deposits	328,288	294,556	323,965	277,584
<b>Money market repurchase commitment (Note 13)</b>	<b>-</b>	<b>28,108</b>	<b>-</b>	<b>25,103</b>
Own portfolio	-	28,108	-	25,103
<b>Interbank accounts</b>	<b>-</b>	<b>270,623</b>	<b>-</b>	<b>-</b>
Interbank accounts (Note 17.b)	-	270,623	-	-
<b>Acceptances and endorsements</b>	<b>824,664</b>	<b>348,114</b>	<b>824,664</b>	<b>348,114</b>
Housing bond resources	10,005	-	10,005	-
Notes and bonds issued abroad	814,659	348,114	814,659	348,114
<b>Borrowings</b>	<b>695,093</b>	<b>319,225</b>	<b>695,093</b>	<b>319,225</b>
Domestic loans - Other institutions	-	-	-	-
Foreign currency trade finance borrowings (Note 15.a)	695,093	319,225	695,093	319,225
<b>Repass Borrowings from Public Sector</b>	<b>-</b>	<b>245,714</b>	<b>-</b>	<b>245,714</b>
FINAME (Note 15.b)	-	245,714	-	245,714
<b>Derivative financial instruments (Note 6)</b>	<b>2,631</b>	<b>16,278</b>	<b>223</b>	<b>16,278</b>
Derivative financial instruments	2,631	16,278	223	16,278
<b>Other liabilities</b>	<b>207,738</b>	<b>170,076</b>	<b>244,411</b>	<b>187,919</b>
Taxes payable	-	-	24,025	17,843
Subordinated debts (Note 20)	207,738	154,589	207,738	154,589
Other (Note 17c)	-	15,487	12,648	15,487
<b>Deferred income</b>	<b>2,744</b>	<b>2,215</b>	<b>2,744</b>	<b>2,215</b>
Deferred income	2,744	2,215	2,744	2,215
<b>Minority interest in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>23</b>
Minority interest in subsidiaries	-	-	25	23
<b>Shareholders' equity (Note 21)</b>	<b>757,816</b>	<b>504,889</b>	<b>757,816</b>	<b>504,889</b>
Capital	706,461	350,000	706,461	350,000
Domestic	643,291	350,000	643,291	350,000
Foreign	63,170	-	63,170	-
Capital increase	-	81,430	-	81,430
Domestic	-	81,430	-	81,430
Capital reserves	4,806	5,494	4,806	5,494
Profit reserves	56,780	35,847	56,780	35,847
Legal	40,970	35,847	40,970	35,847
Statutory	15,810	-	15,810	-
Valuation adjustments for shareholders' equity (Note 4.c)	(59,104)	(17,458)	(59,104)	(17,458)
Retained earnings	48,873	49,576	48,873	49,576
<b>TOTAL LIABILITIES</b>	<b>9,589,522</b>	<b>14,167,659</b>	<b>9,181,473</b>	<b>13,808,432</b>

See the accompanying notes to the financial statements.

**3. BANCO FIBRA S.A. - STATEMENTS OF INCOME - YEARS ENDED AT DECEMBER 31, 2008 AND 2007 AND SEMESTER ENDED DECEMBER 31, 2008**  
(In thousand of Reais)

	Banco Fibra S.A			Fibra Consolidated		
	2008		2007	2008		2007
	2nd semester	Year	Year	2nd semester	Year	Year
<b>Financial operations income</b>	<b>2,101,410</b>	<b>3,043,528</b>	<b>2,019,768</b>	<b>2,069,501</b>	<b>2,927,244</b>	<b>1,987,184</b>
Loans	482,786	753,447	481,049	484,798	758,042	500,557
Leases	102	700	1,586	102	700	1,586
Securities income	712,243	1,298,496	1,408,333	692,549	1,267,303	1,437,028
Financial derivative instruments	551,032	557,310	32,291	536,805	467,624	(48,496)
Trade finance and foreign exchange income	351,847	425,500	89,497	351,847	425,500	89,497
Income from compulsory deposits	3,400	8,075	7,012	3,400	8,075	7,012
<b>Financial operations expenses</b>	<b>(2,042,695)</b>	<b>(2,826,463)</b>	<b>(1,781,159)</b>	<b>(1,985,391)</b>	<b>(2,694,201)</b>	<b>(1,749,913)</b>
Deposits, money market and interbank funds	(925,975)	(1,619,563)	(1,619,255)	(917,166)	(1,604,077)	(1,598,044)
Borrowings and repasses	(1,037,603)	(1,052,841)	(64,441)	(989,185)	(936,325)	(53,947)
Leases	(96)	(684)	(850)	(96)	(684)	(850)
Trade finance and foreign exchange losses	(2,105)	(2,688)	-	(2,105)	(2,688)	-
Allowance for doubtful loans	(63,080)	(117,867)	(96,613)	(63,003)	(117,607)	(97,072)
Allowance for doubtful loans - Additional	(13,836)	(32,820)	-	(13,836)	(32,820)	-
<b>Gross income on financial operations</b>	<b>58,715</b>	<b>217,065</b>	<b>238,609</b>	<b>84,110</b>	<b>233,043</b>	<b>237,271</b>
<b>Other operating income (expenses)</b>	<b>(88,101)</b>	<b>(170,296)</b>	<b>(140,246)</b>	<b>(98,975)</b>	<b>(186,263)</b>	<b>(154,674)</b>
Service fee income	8,990	18,538	26,263	10,681	22,432	22,963
Income from banking charges	3,851	7,121	-	3,851	7,121	-
Equity in earnings (losses) of subsidiaries	22,776	2,814	(31,145)	-	-	-
Personnel expenses	(34,607)	(63,287)	(50,155)	(52,473)	(86,842)	(76,557)
Other administrative expenses	(75,206)	(102,251)	(52,629)	(38,274)	(86,133)	(64,495)
Tax expenses	(7,759)	(23,123)	(4,891)	(12,356)	(28,094)	(6,659)
Other operating income	6,637	11,145	3,648	7,710	13,105	4,821
Other operating expenses	(12,783)	(21,253)	(31,337)	(18,114)	(27,852)	(34,747)
<b>Operating income</b>	<b>(29,386)</b>	<b>46,769</b>	<b>98,363</b>	<b>(14,865)</b>	<b>46,780</b>	<b>82,597</b>
<b>Non-operating income</b>	<b>(1,122)</b>	<b>(1,852)</b>	<b>37,834</b>	<b>(1,137)</b>	<b>(1,894)</b>	<b>38,060</b>
<b>Income before income and social contribution taxes and profit sharing</b>	<b>(30,508)</b>	<b>44,917</b>	<b>136,197</b>	<b>(16,002)</b>	<b>44,886</b>	<b>120,657</b>
<b>Income and social contribution taxes</b>	<b>81,342</b>	<b>75,866</b>	<b>(40,401)</b>	<b>68,566</b>	<b>77,627</b>	<b>(24,861)</b>
Provision for income tax	(17,751)	(37,419)	(37,873)	(30,970)	(50,946)	(36,499)
Provision for social contribution tax	(12,346)	(27,623)	(17,130)	(17,863)	(33,262)	(16,651)
Deferred tax assets	111,439	140,908	14,602	117,399	161,835	28,289
<b>Statutory profit share</b>	<b>(8,421)</b>	<b>(18,327)</b>	<b>(27,128)</b>	<b>(10,151)</b>	<b>(20,057)</b>	<b>(27,128)</b>
<b>NET INCOME</b>	<b>42,413</b>	<b>102,456</b>	<b>68,668</b>	<b>42,413</b>	<b>102,456</b>	<b>68,668</b>
<b>NET INCOME PER LOT OF A THOUSAND SHARES - R\$</b>	<b>25.69</b>	<b>62.06</b>	<b>57.97</b>			

See the accompanying notes to the financial statements.

**4. BANCO FIBRA S.A. - STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
YEARS ENDED AT DECEMBER 31, 2008 AND 2007 AND SEMESTER ENDED DECEMBER 31, 2008  
(In thousand of Reais)

	Capital		Capital reserves	Profit reserves		Valuation adjustments for shareholders' equity	Retained earnings	Total
	Paid in capital	Capital increase		Legal	Statutory			
<b>Balances at December 31, 2006</b>	<b>257,500</b>	<b>92,500</b>	<b>6,611</b>	<b>30,814</b>	<b>-</b>	<b>273</b>	<b>52,951</b>	<b>440,649</b>
Adjustments to opening balance	-	-	-	-	-	-	(7,323)	(7,323)
<b>Balances at December 31, 2006 - Adjusted</b>	<b>257,500</b>	<b>92,500</b>	<b>6,611</b>	<b>30,814</b>	<b>-</b>	<b>273</b>	<b>45,628</b>	<b>433,326</b>
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	(17,731)	-	(17,731)
Capital increase	92,500	(11,070)	-	-	-	-	(30,250)	51,180
Price level restatement of membership certificates	-	-	(1,117)	-	-	-	-	(1,117)
Net income for the year	-	-	-	-	-	-	68,668	68,668
Interest on own capital	-	-	-	-	-	-	(29,437)	(29,437)
Distination to legal reserve	-	-	-	5,033	-	-	(5,033)	-
<b>Balances at December 31, 2007 - Adjusted</b>	<b>350,000</b>	<b>81,430</b>	<b>5,494</b>	<b>35,847</b>	<b>-</b>	<b>(17,458)</b>	<b>49,576</b>	<b>504,889</b>
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	(41,646)	-	(41,646)
Capital increase	356,461	(81,430)	-	-	-	-	-	275,031
Price level restatement of membership certificates	-	-	(688)	-	-	-	-	(688)
Net income for the year	-	-	-	-	-	-	102,456	102,456
Interest on own capital	-	-	-	-	-	-	(82,226)	(82,226)
Destination to legal reserve	-	-	-	5,123	15,810	-	(20,933)	-
<b>BALANCES AT DECEMBER 31, 2008</b>	<b>706,461</b>	<b>-</b>	<b>4,806</b>	<b>40,970</b>	<b>15,810</b>	<b>(59,104)</b>	<b>48,873</b>	<b>757,816</b>
<b>Balances at June 30, 2008</b>	<b>431,430</b>	<b>61,900</b>	<b>4,326</b>	<b>38,849</b>	<b>-</b>	<b>(22,980)</b>	<b>48,873</b>	<b>562,398</b>
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	(36,124)	-	(36,124)
Capital increase	275,031	(61,900)	-	-	-	-	-	213,131
Price level restatement of membership certificates	-	-	480	-	-	-	-	480
Net income for the semester	-	-	-	-	-	-	42,413	42,413
Interest on own capital	-	-	-	-	-	-	(24,482)	(24,482)
Destination to legal reserve	-	-	-	2,121	15,810	-	(17,931)	-
<b>BALANCES AT DECEMBER 31, 2008</b>	<b>706,461</b>	<b>-</b>	<b>4,806</b>	<b>40,970</b>	<b>15,810</b>	<b>(59,104)</b>	<b>48,873</b>	<b>757,816</b>

See the accompanying notes to the financial statements.

5. BANCO FIBRA S.A. - STATEMENT OF CASHFLOWS - YEARS ENDED AT DECEMBER 31, 2008 AND 2007 AND SEMESTER ENDED DECEMBER 31, 2008. (In thousand of Reais)

	Banco Fibra S.A			Fibra Consolidated		
	2008		2007	2008		2007
	2nd semester	Year	Year	2nd semester	Year	Year
Adjusted net income	73,917	222,913	147,834	101,376	233,211	118,345
Net income for the year	42,413	102,456	68,668	42,413	102,456	68,668
Depreciation and amortization	2,057	3,826	3,043	2,883	5,417	3,876
Equity in earnings (losses) of subsidiaries	(22,776)	(2,814)	31,145	-	-	-
Amortization on goodwill - investment	3,086	6,174	-	3,086	6,174	-
Prior year adjustments	-	-	(7,318)	-	-	(7,323)
Allowance for doubtful loans	37,415	55,775	52,007	37,340	55,516	52,041
Legal obligations and contingent risks provision	11,242	58,184	1,406	15,174	64,336	2,200
Price level restatement of membership certificates	480	(688)	(1,117)	480	(688)	(1,117)
Variation of assets and liabilities	219,589	8,029,159	(1,047,849)	92,222	7,958,467	(1,196,325)
(Increase) decrease in interbank investments	-	7,379,988	-	-	7,379,988	-
(Increase) decrease in securities	(342,922)	494,622	(38,183)	(315,340)	557,335	(39,319)
Increase (decrease) in liability derivative financial instruments	(42,064)	46,945	10,032	(44,583)	43,776	20,052
(Increase) decrease in interbank and interbranch relations - Net	229,130	292,514	58,951	98,173	179,533	(65,426)
(Increase) decrease in loans	714,362	196,046	(1,024,457)	714,361	196,046	(1,024,457)
((Increase) decrease in lease	92	178	155	92	178	155
(Increase) decrease in other receivables	(441,195)	(459,847)	(220,403)	(470,151)	(463,405)	(254,132)
(Increase) decrease in other assets	(4,161)	(8,798)	(11,811)	(4,082)	(8,686)	(11,773)
Increase (decrease) in other liabilities	107,041	86,982	178,446	114,446	73,173	179,154
Variation in future year results	(694)	529	(579)	(694)	529	(579)
Operational activities - net cash invested	293,506	8,252,072	(900,015)	193,598	8,191,678	(1,077,980)
Cash flows from financing activities	(20,203)	(39,033)	(101,992)	(6,811)	(9,313)	(67,710)
Disposal of property, plant and equipment in use	-	3	38	9	26	45
Disposal of investments	-	2,454	3,158	-	1,546	2,282
Variation in minority shareholding interest	-	-	-	-	2	(2)
Capital increase in capital of shareholding interests (Note 24a)	(14,000)	(33,100)	(38,501)	-	-	-
Investment acquisitions	(707)	(480)	(61,358)	(480)	(566)	(671)
Acquisition of property, plant and equipment in use	(998)	(1,908)	(1,532)	(1,555)	(3,068)	(5,990)
(Increase) decrease in deferred assets (Note 24b)	(147)	(624)	(1,078)	359	(563)	(439)
Increase in intangible (Note 24b)	(4,351)	(5,378)	(2,719)	(5,144)	(6,690)	(62,935)
Financing activities - net cash return	597,920	(7,450,078)	1,106,541	691,854	(7,372,000)	1,247,776
(Increase) decrease in deposits	(101,759)	(70,362)	564,642	(10,969)	4,711	694,922
(Increase) decrease in money market repurchase commitments	(228,669)	(8,350,589)	-	(225,525)	(8,347,584)	10,955
(Increase) decrease in acceptances and endorsements	347,565	704,872	(64,452)	347,565	704,872	(64,452)
(Increase) decrease in borrowings and repass borrowings	389,328	70,390	571,787	389,328	70,390	571,787
Shareholder funds - capital increase	213,131	275,031	51,180	213,131	275,031	51,180
Interest on own capital paid	(21,676)	(79,420)	(16,616)	(21,676)	(79,420)	(16,616)
NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS	871,223	762,961	104,534	878,641	810,365	102,086
Cash and cash equivalents at the beginning of the year	481,198	589,460	484,926	482,097	550,373	448,287
Cash and cash equivalents at the year end	1,352,421	1,352,421	589,460	1,360,738	1,360,738	550,373
(INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS	871,223	762,961	104,534	878,641	810,365	102,086

See the accompanying notes to the financial statements.

6. NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 AND 2007  
(In thousands of Reais)

1. Operations

Banco Fibra S.A. is a multiple service bank, operating in the commercial, exchange, investment, credit and finance portfolios as well acting as an intermediary for its subsidiaries in securities brokerage activities, securitization of real estate credits as well as portfolio and investment fund management.

Operations are conducted in the context of a group of institutions that operate jointly in the financial market, and certain operations involve the participation or the intermediation of associate institutions that are also members of the financial system. The benefits of the services rendered among these institutions and the costs of the operating and administrative structures are absorbed, according to the practicality of assigning such costs, either jointly or individually.

Since the end of the first quarter of 2008, the institution has had a policy in place to protect net income and shareholders' equity from the full effects of the foreign exchange fluctuations of its investment in the branch located in Grand Cayman (full-branch). In this regard,

it maintains a sell position in US dollars, in an amount sufficient to offset the direct and indirect impact on the results for the period.

During the year, this strategy has been shown to be efficient, especially in the second semester when the US dollar appreciated in comparison to the Real by 46.81%.

As a result of the investment hedge structure, there are compensatory effects among the results stated under the headings "Income on financial operations," "Operating income," and "Income and Social Contribution Taxes," without however, producing any effects on net income. Therefore the results are protected as well as the shareholders' equity from the effects arising from foreign exchange fluctuations.

Nevertheless, such effects can hamper comparison of the financial statements as they have been shown in the "Statement of Income for semester and year," where in the second semester in particular, there is a greater expense for hedge financial instruments offset by the tax effects arising from the investment foreign exchange fluctuations and its natural hedge.

We have presented these effects disregarding the headings that have been affected in the chart below, to provide a better presentation and comparison of the consolidated statement of income:

Fibra Consolidated	Statement of income (Published)			Adjusted statements		
	2008		2007	2008		2007
	2nd Half	Year	Year	2nd Half	Year	Year
Financial operations income	2,069,501	2,927,244	1,987,184	2,138,344	2,989,288	1,987,184
Financial operations expenses before allowance for doubtful loans	(1,908,552)	(2,543,774)	(1,652,841)	(1,908,552)	(2,543,774)	(1,652,841)
Gross amount on financial operations before allowance for doubtful loans	160,949	383,470	334,343	229,792	445,514	334,343
Allowance for doubtful loans	(63,003)	(117,607)	(97,072)	(63,003)	(117,607)	(97,072)
Allowance for doubtful loans - Additional	(13,836)	(32,820)	-	(13,836)	(32,820)	-
Gross income on financial operations	84,110	233,043	237,271	152,953	295,087	237,271
Other operating income (expenses)	(98,975)	(186,263)	(154,674)	(106,456)	(186,945)	(154,674)
Operating income	(14,865)	46,780	82,597	46,497	108,142	82,597
Non-operating income	(1,137)	(1,894)	38,060	(1,137)	(1,894)	38,060
Income before income and social contribution taxes and profit sharing	(16,002)	44,886	120,657	45,360	106,248	120,657
Income and social contribution taxes	68,566	77,627	(24,861)	7,204	16,265	(24,861)
Income and social contribution taxes (current values)	(48,833)	(84,208)	(53,150)	(48,833)	(84,208)	(53,150)
Deferred tax assets (Allowance for doubtful loans, market value of securities and provisions)	117,399	151,684	28,289	56,037	90,322	28,289
Deferred tax assets (change in CSLL rate from 9% to 15%)	-	10,151	-	-	10,151	-
STATUTORY PROFIT SHARE	(10,151)	(20,057)	(27,128)	(10,151)	(20,057)	(27,128)
NET INCOME	42,413	102,456	68,668	42,413	102,456	68,668

2. Presentation of financial statements

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, taking into account that beginning in 2008, changes were imposed by Law 11638/07 and by Provisional Measure 449/08, related to the Brazilian Central Bank - BACEN regulations and instructions. They include operations conducted by its branch located abroad (Note 11) and are presented

together with the consolidated financial statements (Fibra Consolidated) which include the Bank, its subsidiaries and special purpose entities represented by an exclusive investment fund.

In December 31, 2007, management altered the procedure for registering expenses from the structuring of investments, and recognized the effects provided in CMN Resolution 3535. The composition, net of tax effects, of these adjustments, is presented below:

	Balance at 12/31/2007	Balance at 12/31/2008
Liability contingencies	22,100	7,323
Amortization of restructuring costs	17,215	-
<b>TOTAL ADJUSTMENTS</b>	<b>39,315</b>	<b>7,323</b>

In order to enable comparisons to be made with the financial statements for the year ending December 31, 2008, we present below a summary of the main accounts and the respective effects (Year ended December 31, 2007):

	Banco Fibra S.A.		Fibra Consolidated	
	As previously disclosed	Reclassification	As previously disclosed	Reclassification
<b>Information selected from the balance sheet</b>				
Current assets- Other receivables- Tax credits	131,963	131,963	148,976	157,188
Permanent assets - Investments	205,464	126,488	-	-
Permanent assets - Deferred charges - Organization and expansion expenses	12,102	12,102	42,270	17,223
Other liabilities - tax and social security	94,092	115,136	117,793	139,891
Shareholders' equity - Retained Earnings	81,569	49,576	81,569	49,576
<b>Information selected from the statement of income</b>				
Equity in earnings (losses) of subsidiaries	(12,879)	(31,145)	-	-
Other Administrative Expenses	(52,629)	(52,629)	(55,103)	(64,495)
Other Operational Expenses	(10,541)	(31,337)	(12,356)	(34,747)
Income and social contribution taxes - Deferred Tax Assets	7,532	14,602	12,463	28,289
Net income for the year	100,661	68,668	100,661	68,668
<b>Information selected from the statement of changes in shareholders' equity</b>				
Net profit for the year	100,661	68,668	100,661	68,668
Amount in December 31, 2007 – Retained Earnings	81,569	49,576	81,569	49,576

3. Consolidated financial statements

The consolidated financial statements were prepared according to accounting practices derived from Brazilian Corporation Law and are being presented in conformity with the rules of the Central Bank of

Brazil - BACEN and of the Brazilian Securities Commission (CVM), covering Banco Fibra S.A., its overseas branch, its subsidiaries and exclusive investment fund as listed below:

Name	Activity	Share	
		2008	2007
<b>Subsidiaries:</b>			
Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	Distribution of securities and fund management	99.999%	99.999%
Fibra Cia. Securitizadora de Créditos Imobiliários	Acquisition of Real Estate Receivables	99.953%	99.953%
Fibra Cia. Securitizadora de Créditos Financeiros	Acquisition of Financial Receivables	99.999%	99.989%
Fibra Projetos e Consultoria Econômica Ltda.	Consulting services and economic analysis	99.999%	99.999%
GVI Promotora de Vendas Ltda (a)	Sales promoter – Retail	99.999%	99.999%
CredFibra S.A. (b)	Sales promoter – Retail	99.990%	99.990%
<b>Exclusive Investment Fund:</b>			
Valência Fundo de Investimento Multimercado (c)	Investment fund	-	100.00%

(a) On February 26, 2007, Banco Fibra acquired all the quotas of the company GVI Promotora de Vendas e Serviços Ltda. The main activity of this company is the rendering of credit analysis and registration services, execution of collection services, consultancy in the financial area and sales promotion. It is also responsible for the prospecting of all of the loan activities in the retail segment.

(b) On October 15, 2007, Banco Fibra acquired the amount of 901,000 nominative common shares of the Company Credlecca S.A. (former denomination of the Credfibra S.A.), and of this total, 90 ordinary nominative shares were sold by Banco Fibra S.A. to Fibra Projetos e Consultoria Econômica Ltda.

(c) In 2007, Banco Fibra was holder of quotas of the exclusive fund, Valência Fundo de Investimento Multimercado, which, for purposes of presentation of these statements were consolidated, in compliance with CVM Instruction 408 and interpretations contained in Circular Letter CVM/SNC/SEP 01/2007. In December 29, 2008, Banco Fibra effected a redemption of all the Fundo de Investimento Valência Multimercado's quotas.

Description of the main consolidation procedures

- Elimination of the balances of assets and liabilities among the companies/entities;
- Elimination of equity interest, reserves and retained earnings of the subsidiary companies;
- Elimination of the balances of income and expenses, and of unrealized gains, resulting from transactions between the companies/entities; and
- Identification of the amount of interest of the minority shareholders in the consolidated financial statements.

4. Significant accounting practices

The accounting practices for preparing the financial statements are derived from Brazilian Corporation Law, in conjunction with Central Bank of Brazil (BACEN) regulations and instructions of the Brazilian Securities Commission (CVM). The most significant accounting practices are listed below:

a. Statement of income

Income and expenses arising from asset and liability operations are recognized on an accruals basis and take into account the effects of operations subject to price level restatement on a daily pro-rata basis. Asset and liability operations that incorporate exchange variations are price level restated according to the buy or sell rate of the foreign currency on the balance sheet dates according to the contractual provisions.

Income from asset operations is not accrued when the installment payments for the principal or charges are overdue for equal to or more than 60 days.

b. Interbank investments

These are valued at the cost of acquisition plus interest accrued up to the balance sheet dates, and when applicable, is adjusted to market value. Investments in foreign currency are shown at the cost of acquisition plus

accrued income calculated on a daily pro-rata basis, and the foreign exchange variations are recorded up to the balance sheet dates.

c. Securities

These are classified into three categories: “trading securities”, “securities available for sale” and “securities held to maturity”. Securities classified as “trading securities” are valued at their market value; with the adjustments to market value included in an appropriate income or expense account for the period. Securities classified as “securities available for sale” are valued at their market value; with the adjustments to market value included in an appropriate account in shareholders’ equity, net of tax effects, which are transferred to income in the period in which the securities are sold. Securities classified as “held to maturity” are valued at their cost of acquisition plus interest earned up to the balance sheet dates. Classification in this category is contingent upon the financial capacity of the institution to hold the securities to maturity and Management’s decision to rule out any possibility of selling these securities. (Note 6a)

d. Derivative financial instruments

According to Central Bank of Brazil Circular Letter 3082, derivative financial instruments are valued and recorded at market value and classified as either hedge or non-hedge. Hedge instruments are classified as: (i) “market risk hedge” or (ii) “cashflow hedge”. The criteria for recording them are as follows: for derivative financial instruments which are not intended to be used as a hedge, as well as those classified as market risk hedge, adjustments to market value are recorded against an appropriate income or expense account for the period. For derivative financial instruments classified as “cash flow hedge,” the effective portion of the hedge must be recorded and offset in a special account in Shareholders’ Equity, and any ineffectiveness is recorded in an appropriate income or expense account for the period. In the event of derivative financial instruments which are intended to protect securities classified in the category “securities held to maturity”, both the security and the derivative financial instrument are valued and recorded in compliance with the intrinsic contracted terms and are not recorded at market value. With the advent of the changes introduced by Central Bank Circular Letter 3150, this treatment is also given to derivative instruments traded in association with fund raising operations or fund investments, and market value may be disregarded under the terms therein specified (Note 6b).

e. Allowance for doubtful loans, doubtful lease receivables and doubtful receivables

These provisions are recorded at an amount considered sufficient to cover any losses arising on their collection. The Central Bank of Brazil established regulations through Resolution 2682/99, which are based on risk analyses of clients with asset operations and past experience as well as specific sector or portfolio risks (Note 9).

In addition to the minimum provision required by the Central Bank the institution established additional provisions as described in Note 9d.

f. Assets not for own use

Goods received in lieu of payment are recorded in the account “Other assets” and include provisions recorded in an amount considered sufficient to cover any losses arising on their collection.

g. Investments

Interests held in subsidiaries are valued according to the equity method of accounting. The other investments are valued according to the cost of acquisition, price level restated up to December 31, 1995, less provisions for losses when applicable. The book balances of the entities located overseas were converted to Brazilian Reais, using the US foreign exchange rate on the closing date. For purposes of calculating the equity in net income and for consolidation purposes, these balances were adjusted to comply with accounting practices derived from Brazilian corporation law.

h. Premises and equipment, deferred charges and intangible

Depreciation of premises and equipment and amortization of deferred charges are calculated using the straight line method, according to the following annual rates: (i) premises and equipment: vehicles and computer system, 20%; other assets 10%; (ii) deferred charges: expenses for acquisition and development of computer software and reorganization and expansion expenses, 20% and leasehold improvements, according to the term of the rental; (iii) intangible: reflect the rights acquired that serve as incorporated assets devoted to the maintenance of entity or used for this purpose. The intangible assets having a defined useful life are generally amortized according to the linear method throughout the period of the estimated economic benefit.

The goodwill on the purchase of investments, supported by expected realization of future results, is being amortized at the rate of 10% per annum until December 31, 2008. Beginning in 2009, in compliance with CMN Resolution 3566, a test will be performed on a yearly basis to verify the recoverable amount.

i. Other current assets and long term receivables

These are shown at their cost values, including, when applicable, accrued income and price level restatement less the corresponding provisions for losses or adjustments to the realizable value.

j. Income and social contribution taxes (assets and liabilities)

Deferred income and social contribution taxes, calculated on tax losses, negative basis and temporary additions are recorded in “Other Receivables - Other”. Tax credits on temporary additions are realized upon the use and/or reversal of the respective provisions on which they were formed. Tax credits on tax loss and on negative basis of social contribution tax are realized in accordance with the generation of taxable income.

Provision for income tax is established at the rate of 15% on taxable income, plus the additional percentage of 10% on the portion of taxable income that exceeds R\$ 240 per year, and includes the portion corresponding to fiscal incentives. Provision for social

contribution is formed at the rate of 9% from January to April 2008, and 15% applicable to taxable events that occurred as from May 01, 2008, on adjusted accounting profit, pursuant to the current legislation. Details of the effects of these taxes are shown in Note 18.

k. Contingencies and legal obligations

Recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are carried out according to the criteria defined in CMN Resolution 3535, which came into effect on January 31, 2008:

i. **Contingent assets** - Are not recognized in the accounting records, except in the event of a favorable judicial decision, considered practically certain, which does not permit any appeals. Assets with chances of success considered as probable are disclosed in a note to the financial statements (Note 19).

ii. **Contingent liabilities** - Provisions are recorded in the accounting records when, in the opinion of legal counsel, the chances of loss are probable and when the value of the liability can be estimated with sufficient accuracy. Assets with chances of success considered as probable are disclosed in a note to the financial statements when individually relevant and those classified as remote do not require a provision and do not have to be disclosed (Note 19).

iii. **Legal obligations** - These are recognized and full provision is recorded in the balance sheet, regardless of the probabilities of success of the legal suit.

l. Current liabilities and long term liabilities

These are shown at the known values or at values that can be calculated and include charges and price level restatement or exchange variations incurred up to the balance sheet dates.

m. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that the Management uses its judgment when determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of premises and equipment, provision for doubtful loans, provision for devaluation of certain assets, deferred income tax and social contribution recorded in assets, provision for contingencies and valuation of securities and derivative financial instruments. The settlement of transactions involving these estimates may result in amounts different to those estimated due to the lack of precision inherent to the process for determining them. The Bank periodically reviews estimates and assumptions.

n. Cash and cash equivalents

These reflect cash and banks in local currency, foreign currency and interbank investments which settlement terms on the date of the Balance Sheet were fewer than 90 days and pose a significant risk of change in their fair values, which are used by the Bank to manage its short term commitments.

o. Valuation of the recoverable amount

Beginning 2008, based on a review by the management, if the book values of the non-financial assets of the Bank, except other assets and tax credits, exceed their recoverable values, they are recognized as a loss of recoverable assets in income for the year.

p. Initial adoption of Law 11638/07

Initial adoption of Law 11638/07 – Initial adoption of the referenced Law, did not create any material impacts on the Bank’s financial statements, in view of the fact that the major changes imposed by the new legislation, which affected Bank operations had already been adopted by it owed to the already existing accounting regulations issued by BACEN. We have highlighted below the most important effects for the year:

■ Creation of the shareholders’ equity sub-group “Valuation adjustments for shareholders’ equity” for the purpose of recording increases or decreases in the value allocated to assets and liabilities resulting from their valuations to market price;

- Periodic review of the ability to recover assets, for the purpose of assuring that these assets are not recorded in the accounting records at a value that is greater than the likelihood of its being recovered from use or sale. The recoverable value of financial assets was assessed and there was no recovery loss of assets to be recognized in the income for the year;
- Destination of retained earnings;
- Creation of intangible group;
- Substitution of the Statement of Changes in Financial Position for the Statement of Cashflow

The changes imposed by Law 11638 did not result in any impact on the financial statements of the Banco Fibra or the Fibra Consolidated.

5. Interbank investments

Interbank investments are represented by investments in the open market, as follows:

	Banco Fibra S.A.		Consolidated	
	2008	2007	2008	2007
<b>Money market - Banked position</b>				
LFT - Financial Treasury Bill	168,613	7,802	168,613	7,802
LTN - National Treasury Bill	299,880	404,356	299,880	404,356
NTN - National Treasury Notes	-	82,938	-	82,938
<b>Money market - Financed position</b>				
LFT - Financial Treasury Bill	-	3,216,044	-	3,216,044
LTN - National Treasury Bill	9,970	999,308	9,970	999,308
NTN - National Treasury Notes	-	778,451	-	778,451
<b>Money market - Sold position</b>				
LTN - National Treasury Bill	15,034	1,780,160	15,034	1,780,160
NTN - National Treasury Notes	-	37,832	-	37,832
<b>TOTAL</b>	<b>493,497</b>	<b>7,306,891</b>	<b>493,497</b>	<b>7,306,891</b>

6. Securities and derivative financial instruments

a. Classification of the securities and derivative financial instruments portfolio, according to the business strategy:

	Banco Fibra S.A.			
	2008		2007	
	Cost value	Book value/ market	Cost value	Book value/ market
<b>Trading securities (1)</b>	<b>1,318,804</b>	<b>1,354,310</b>	<b>398,438</b>	<b>462,723</b>
Financial Treasury Bill - LFT	375,059	374,990	22,966	22,972
National Treasury Bill - LTN	9,732	9,759	-	-
National Treasury Notes - NTN	486,850	497,085	4,826	4,856
Fixed Income Private Securities	9,350	9,483	5,337	5,655
Stocks	41,595	75,998	16,409	28,889
Euronotes and Commercial Papers	396,218	386,995	301,275	352,490

	Banco Fibra S.A.			
	2008		2007	
	Cost value	Book value/ market	Cost value	Book value/ market
Investment fund quotas (2):				
National Treasury Notes - NTN	-	-	43,412	43,416
Stocks	-	-	159	381
Swap (receivable)/ payable differences	-	-	3,587	3,587
Other Derivatives	-	-	565	565
Other Investment Fund Securities (3)	-	-	(98)	(98)
Securities available for sale (1)	276,072	260,598	1,755,333	1,768,130
National Treasury Bill - LTN (4)	-	-	1,584,539	1,563,344
National Treasury Notes - NTN	243,904	246,853	152,169	146,832
Stocks	32,168	13,745	18,625	57,954
Securities held to maturity (1)	1,760,869	1,760,869	-	-
National Treasury Bill - LTN (4)	1,760,869	1,760,869	-	-
Derivative financial instruments	304,897	378,603	101,941	74,420
Swap receivable differences (1)	282,520	356,532	101,941	74,420
Other	22,377	22,071		
TOTAL SECURITIES PORTFOLIO	3,660,642	3,754,380	2,255,712	2,305,273

	Fibra Consolidated			
	2008		2007	
	Cost value	Book value/ market	Cost value	Book value/ market
Trading securities (1)				
Financial Treasury Bill - LFT	375,495	375,425	24,050	24,056
National Treasury Bill - LTN	12,855	12,895	-	-
National Treasury Notes - NTN	486,850	497,085	48,238	48,272
Fixed Income Private Securities	9,350	9,484	5,336	5,655
Stocks	41,595	75,998	16,568	29,280
Euronotes and Commercial Papers	40,661	40,264	31,785	31,912
Securities available for sale (1)	279,687	261,707	1,758,899	1,771,696
National Treasury Bill - LTN (4)	-	-	1,584,539	1,563,344
National Treasury Notes - NTN	243,904	246,853	152,169	146,832
Stocks	35,783	14,854	22,191	61,520
Securities held to maturity (1)	1,760,869	1,760,869	-	-
National Treasury Bill - LTN (4)	1,760,869	1,760,869	-	-
Derivative financial instruments (1)	302,555	330,690	14,033	22,350
Swap receivable difference	280,178	308,619	12,762	21,079
Other	22,377	22,071	1,271	1,271
TOTAL SECURITIES PORTFOLIO	3,309,917	3,364,417	1,898,909	1,933,221

(1) The market value of the securities for the categories “Securities Available for Sale” and “Trading Securities” was calculated based on the following criteria: a) government securities and operations conducted on the futures, and options markets based on the pricing model described in Note 7; b) Publicly traded company stocks and forward operations guaranteed by these securities, according to the

average quotation available from the last trading floor session of the month, or in the absence thereof, the most recent trading floor sessions published in the Daily Bulletin for each Exchange and; the shares of the non-listed companies are in accordance with their equity values or that traded on the auction market to subsidized companies and; c) Swaps, based on the notional values of each of the

legs of the contracts, considering the cash flow discounted to the present value by the futures market interest rates calculated on the pricing model described in Note 7, in compliance with the terms of each contract. In relation to the category “Held to Maturity,” the securities are valued according to the acquisition price plus interest incurred up to the balance sheet dates.

(2) In December 29, 2008 the Banco Fibra S.A., single quotaholder of Valência Fundo de Investimento Multimercado, effected redemption of all the quotas. In December 31, 2007, this refers to quotas of exclusive investment fund in Valência Fundo de Investimento Multimercado, which is being presented in a consolidated manner in the consolidated financial statements.

(3) At December 31, 2007, other Investment fund securities were represented mainly by senior quotas in Credit Right Funds - FIDC - for the amount of R\$ (98) in Banco Fibra.

(4) At June 30, 2008, the LTNs classified as available for sale were all reclassified to securities held to maturity in the amount of R\$ 436,914

Derivative financial instruments

I - Asset position

	Banco Fibra S.A.					
	2008			2007		
Swap contracts and equivalents	Assets	Liabilities	Receivables	Assets	Liabilities	Receivables
Asset position						
PRE X DOLLAR	-	-	-	580	450	130
CDI X DOLLAR	270,308	222,738	47,570	512,169	447,298	64,871
DOLLAR X PRE	118,998	96,927	22,071	-	-	-
PRE X CDI	-	-	-	7,616	7,602	14
CDI X PRE	-	-	-	6,123	5,935	188
DOLLAR X CDI	1,457,853	1,174,001	283,852	242,142	239,310	2,832
IGPM X CDI	-	-	-	51,122	44,917	6,205
YEN X CDI	81,042	55,998	25,044	-	-	-
Other	3,387	3,321	66	12,915	12,735	180
TOTAL - MARKET VALUE	1,931,588	1,552,985	378,603	832,667	758,247	74,420
AMOUNTS RECEIVABLE CALCULATED ACCORDING TO THE COST VALUE			304,897	101,941		

	Fibra Consoliated					
	2008			2007		
Swap contracts and equivalents	Assets	Liabilities	Receivables	Assets	Liabilities	Receivables
Asset position						
PRE X DOLLAR	-	-	-	580	450	130
CDI X DOLLAR	9,364	8,642	722	156,431	144,504	11,927
DOLLAR X PRE	118,998	96,927	22,071	-	-	-
PRE X CDI	-	-	-	7,616	7,602	14
CDI X PRE	-	-	-	6,123	5,935	188
DOLLAR X CDI	1,098,424	815,637	282,787	-	-	-
IGPM X CDI				49,969	41,330	8,639
YEN X CDI	81,042	55,998	25,044	-	-	-
Other	3,387	3,321	66	14,187	12,735	1,452
TOTAL - MARKET VALUE	1,311,215	980,525	330,690	234,905	212,556	22,350
AMOUNTS RECEIVABLE CALCULATED ACCORDING TO THE COST VALUE			302,555	16,075		

II - Liability position

	Banco Fibra S.A.					
	2008			2007		
	Assets	Liabilities	Payables	Assets	Liabilities	Payables
Swap contracts and equivalents						
Liability position						
CDI X DOLLAR	144,070	153,273	(9,203)	5,590	5,604	(14)
PRE X DOLLAR	145,849	181,577	(35,728)	-	-	-
PRE X CDI	-	-	-	5,935	6,102	(167)
DOLLAR X CDI	-	-	-	295,840	312,267	(16,427)
DOLLAR X PRE	-	-	-	1,723	1,983	(260)
CDI X IGPM	-	-	-	44,917	49,967	(5,050)
Other	23,746	48,232	(24,486)	20,732	21,286	(554)
TOTAL - MARKET VALUE	313,665	383,082	(69,417)	374,737	397,209	(22,472)
PAYABLE AMOUNTS CALCULATED ACCORDING TO THE COST VALUE			(68,450)	(19,858)		

	Fibra Consolidated					
	2008			2007		
	Assets	Liabilities	Payables	Assets	Liabilities	Payables
Swap contracts and equivalents						
Liability position						
CDI X DOLLAR	43,568	50,308	(6,740)	5,590	5,604	(14)
PRE X DOLLAR	145,850	181,578	(35,728)	-	-	-
PRE X CDI	-	-	-	5,935	6,102	(167)
DOLLAR X CDI	-	-	-	295,840	312,267	(16,427)
DOLLAR X PRE	-	-	-	1,723	1,983	(260)
CDI X IGPM	-	-	-	44,917	49,967	(5,050)
Other	23,746	48,232	(24,486)	20,732	21,992	(1,260)
TOTALMARKET VALUE	213,164	280,118	(66,954)	374,737	397,914	(23,178)
PAYABLE AMOUNTS CALCULATED ACCORDING TO THE COST VALUE			(71,309)	(19,858)		

c. Securities and derivative financial instruments - Maturity terms

	up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total 2008
Banco Fibra S.A.						
Categories						
Trading securities	1,354,309	-	-	-	-	1,354,309
Securities available for sale	260,598	-	-	-	-	260,598
Securities held to maturity	1,299,628	-	-	461,241	-	1,760,869
Derivative financial instruments (assets)	755	1,438	4,752	33,369	338,290	378,604
TOTAL	2,915,290	1,438	4,752	494,610	338,290	3,754,380
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	(25,423)	(3,871)	(379)	(37,113)	(2,631)	(69,417)
Fibra Consolidated						
Categories						
Trading securities	1,011,150	-	-	-	-	1,011,150
Securities available for sale	261,707	-	-	-	-	261,707
Securities held to maturity	1,299,628	-	-	461,241	-	1,760,869
Derivative financial instruments (assets)	754	1,438	4,512	32,209	291,778	330,691
TOTAL	2,573,239	1,438	4,512	493,450	291,778	3,364,417
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	(25,423)	(3,871)	(379)	(37,058)	(223)	(66,954)

	up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total 2007
Banco Fibra S.A.						
Categories						
Trading securities	462,723	-	-	-	-	462,723
Securities available for sale	1,768,130	-	-	-	-	1,768,130
Derivative financial instruments (assets)	2,214	6,195	5,813	10,898	49,300	74,420
TOTAL	2,233,067	6,195	5,813	10,898	49,300	2,305,273
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	(407)	(339)	(138)	(5,310)	(16,278)	(22,472)
Fibra Consolidated						
Categories						
Trading securities	139,175	-	-	-	-	139,175
Securities available for sale	1,771,696	-	-	-	-	1,771,696
Derivative financial instruments (assets)	3,486	3,363	2,340	9,141	4,020	22,350
TOTAL	1,914,357	3,363	2,340	9,141	4,020	1,933,221
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	(1,113)	(339)	(138)	(5,310)	(16,278)	(23,178)

The total notional amounts of swap contracts recorded at CETIP (Clearing House for the Custody and Financial Settlement of Securities) at December 31, 2008 was R\$ 1,458,053 in Banco Fibra S. A. (R\$ 1,110,512 in 2007) and R\$ 861,633 (R\$ 576,867 in 2007) in the Fibra Consolidated. At December 31, 2008 the margins deposited in guarantee of the derivative financial instruments totaled R\$ 150,474

(R\$ 98,052 in 2007) for Banco Fibra S.A. and Fibra Consolidated.

d. Future and forward market operations

We present the operations performed in the futures and forward markets, which are recorded in the Banco Fibra S.A. and Valência Fundo de Investimento Multimercado fund, with the notional amounts shown below:

Futures and forward contracts	Notional amounts	
	2008	2007
NDF Call	10,037	3,283
NDF Put - HEDGE	(122,402)	-
Commercial US Dollar purchased	190,466	-
Commercial US Dollar sold	(331,339)	(57,729)
Foreign Exchange Coupon - DDI purchased	38,864	531,726
Foreign Exchange Coupon - DDI purchased - HEDGE	515,407	-
Foreign Exchange Coupon - DDI Sold	(575,026)	(280,488)
One day DI purchased	1,818,212	1,187,458
One day DI Sold	(1,230,093)	(4,781,286)
One day DI Sold - HEDGE	(490,524)	-

e. Cashflow hedge

On December 31, 2008, there was a cashflow hedge linked to the DI and DDI futures contracts having a reference value of R\$ 1,142,324 and maturities that ranged from Jan/2009 to Jan/2014. The mark to market effect is recorded under shareholders'equity and corresponds to a debit for the amount of R\$ 32,362, net of taxes. The market value of Time Deposits, Government Bonds and Deposits classified as hedge items is R\$ 1,631,797 at December 31, 2008.

The effectiveness calculated for the hedge portfolio as at December 31, 2008 was in compliance with the standard established by the Brazilian Central Bank and there were no ineffective portion to be recorded during the semester.

The above operations do not reflect overall exposure of Fibra

to market risks, currency and interest rates, since they only include derivative financial instruments.

7. Risk management

With the continual evolution of markets and of the products and services offered by Banco Fibra, the Institution continually seeks excellence in its management and control of risks, which is always in line with best international practices. Within this context Banco Fibra currently has an executive qualified by GARP (Global Association of Risk Professionals) as its Financial Risk Manager, an internationally recognized certificate for professionals from the risk management and control area.

Prior identification of the risks inherent to new or altered products/ activities is performed by the Risk Area within the Products Committee, which evaluate all of the impacts prior to implementation.

Market risks

Risk management of the market and positions assumed by Banco Fibra and Fibra Consolidated make frequent use of a set of controls that include VaR parameters, which provides the expected loss for a given level of confidence of 97,5%, and simulation adopting the “Crash Scenario”, which, considering extreme scenarios, evaluates the maximum potential loss from a portfolio and the distribution of the losses from each of the extremes adopted, by means of an analysis of the Vertices Concentration (CPV). Any losses owed to an adverse transaction in the market rates and prices would impact the Bank’s positions owed to mismatching that would exist between the asset and liability portfolios, caused by different terms, currencies and indexes. To manage this, the bank performs risk monitoring and control of the factors that comprise it, i.e., those elements that could impact the value of the portfolios.

The Institution permanently invests in the development of control systems, for the purpose of regularly monitoring risks. For this purpose, a policy has been developed for limits for positions, exposure to the risk measures evaluated (VaR, Stress and CPV) and the results, which is periodically revised by the market risk committee. The use of limits is accompanied by the Market Risk Area and disclosed, daily, to top management, the treasury area and internal audit. Top management is informed of any extrapolations and the explanations and the adjustment plans are approved by the relevant authority level within the Institution.

The Market Risk Committee also defines the criteria for including operations in the negotiation portfolio, based on hedge and negotiation strategies, and the procedures adopted in the event of the low liquidity of an operation or hedge are explained and documented in records.

All of this structure is described in the Institution’s Market Risk Policy, which was approved by the Bank’s top management (executive committee and board). The internal market risk management policy includes volume and results limits. To validate the systems a backtest is conducted periodically at least once a month. In addition to the policy, the institution also has a procedure guide which complements the process covered in the policy.

The pricing models used by the Bank were developed internally whereas the calculation of yield curves and reference prices executed through methodology approved by senior Bank management and takes into consideration the nature of each financial instrument traded.

Liquidity risks

For the purpose of managing liquidity risk exposure, the bank has adopted instruments to control cash flow and forecast needs or excess funds in a timely manner to enable it to implement preventive measures beforehand. These instruments include projected cash flow and simulations of payment events or renewal of operations.

Top management receives, daily, a map to accompany the minimum liquidity reserve, which is used as a reference for input/

output of the liquidity contingency, which is detailed in the Bank’s Liquidity Contingency Plan.

Some of the control instruments used are defined below:

**Cash objective control:** Nível de conforto de caixa considerado adequado para as atividades de crédito e captação, para o qual é direcionado o gerenciamento de ativos e passivos, monitorado diariamente. O Caixa Objetivo é definido pelo Assets & Liabilities Committee (ALCO), grupo que se reúne, a cada 15 dias, para definir as estratégias de ativos e passivos para os períodos seguintes. Atualmente, o Caixa Objetivo é de aproximadamente 80% do patrimônio líquido da instituição.

**Liquidity risk control:** The liquidity level is monitored on a daily basis by the Cash Control and Management area, which monitors the maturity flows until maturity of the asset and liability portfolios lapse. This flow is monitored by the ALCO, which defines the alternatives for managing the minimum cash level maintained by the Bank which is compatible to the risk exposure derived from the nature of its assets and liabilities, its ratio of capital adequacy and market conditions. It is used as a parameter to control liquidity and to activate the Contingency Plan whenever any liquidity insufficiency risk has been identified.

**Liquidity contingency plan:** This management tool defines the actions and measures that should be taken when a short term liquidity projection indicates lower levels than the defined minimum level. In the event of a shortfall of funds and worsening of the financial market crisis, this plan encompasses a number of alternatives: external fund raising (by means of our strategic foreign shareholder); credit extension; sureties and guarantees; raising funds from parent group companies; decrease or even suspension of credit extension, until liquidity has been regularized and sale of the private securities portfolio.

Credit risks

Management adopts as a basic premise for extending credit the capacity of the company to present an adequate cash flow, so as to enable normal continuity to its operations, complying with its credit line access capacity.

The levels from the credit decisions are attributed according to an authority policy, which considers the amount, period and guarantee for the operation. Each level represents a specific committee responsible for the credit decision and evaluation.

For retail operations there is a specific authority policy aimed at this segment. At the first level of this structure, approval is made by means of a Scoring system, which evaluates the client’s profile and the value of their income that has been committed.

The Bank has credit risk controls which enable it to monitor the quality of its portfolio and foresee any problems which might occur in relation to its clients.

Operational risks

Operational risks are related to the unexpected losses of an institution, due to the fact that its systems, practices and measures of control are incapable of resisting human error, a damaged supporting infrastructure, and faults in modeling, services or products, and changes in the corporate environment.

To fulfill the requirements of international market practices and internal regulations of the Brazilian financial market, we created an internal control structure which includes a list of risks and controls to standardize the language and facilitate the understanding of risks and controls by all the employees.

This structure also includes an internal control system where there are periodic evaluations of their activities and processes, identifying inherent risks and the effectiveness of controls in use, and implements plans of action to mitigate the risks identified and/or to refine controls. This process results in reduced exposure to risks.

8. Loan portfolio (Consolidated)

a. Breakdown of operations

	2008		2007	
	R\$	%	R\$	%
Loans	3,278,970	76.0	3,475,009	77.6
Working capital and secured account	1,837,473	42.6	1,603,346	35.8
Retail portfolio – CDC / CP	349,741	8.1	289,938	6.5
Retail portfolio – Payroll loans	199,226	4.6	220,857	4.9
Acquired Credit – Other banks	262,698	6.1	504,706	11.3
Resolution 2770 repasses	243,025	5.6	247,920	5.6
Foreign currency financing (imports/exports)	164,491	3.8	120,267	2.7
BNDES (National Bank for Economic and Social Development) repasses	188,829	4.4	346,352	7.7
“Vendor” and “Compror”	30,599	0.7	135,405	3.0
Other	2,890	0.1	6,218	0.1
Lease operations	49	-	227	-
Advances on exchange and export contracts – ACC/ACE (a)	571,946	13.3	547,014	12.2
Other receivables	2,397	0.1	3,149	0.1
TOTAL PORTFOLIO – CREDIT ASSIGNED	3,853,364	89.3	4,025,399	89.9
Guarantees provided – BNDES	-	-	70,575	1.6
Guarantees and surety bonds provided	462,068	10.7	382,641	8.5
Total portfolio	4,315,432	100.0	4,478,615	100.0

(a) Advances on Exchange and Export Contracts - ACC/ACE are recorded in the balance sheet under “Other liabilities - Foreign exchange portfolio”, plus income receivable on advances granted

that are in the “Other receivables - Foreign exchange portfolio” account. For the purposes of presentation of this note, the two amounts are presented as “Loan portfolio”.

b. Breakdown per sector of activity

	2008		2007	
	R\$	%	R\$	%
Industry	1,830,402	42.4	1,687,137	37.7
Commerce	662,123	15.3	628,284	14.0
Services	557,800	12.9	855,314	19.1
Rural	137,612	3.2	190,071	4.2
Housing	218,328	5.1	78,838	1.8
Public sector	68,626	1.6	62,141	1.4
Financial Intermediaries	220,054	5.1	363,255	8.1
Individuals	620,487	14.4	613,574	13.7
TOTAL PORTFOLIO	4,315,432	100.0	4,478,615	100.0

c. Concentration of main debtors

With interbank market operations

	2008		2007	
	R\$	% of portfolio	R\$	% of portfolio
Main debtor	59,788	1.4%	81,612	1.8%
10 largest debtors	420,177	9.7%	525,258	11.7%
20 largest debtors	704,157	16.1%	878,238	19.6%
50 largest debtors	1,302,617	30.2%	1,557,901	34.8%
100 largest debtors	1,926,857	44.7%	2,147,573	48.0%

Within interbank market operations

	2008		2007	
	R\$	% of portfolio	R\$	% of portfolio
Main debtor	59,788	1.4%	51,407	1.1%
10 largest debtors	407,868	9.5%	401,984	9.0%
20 largest debtors	671,070	15.5%	696,972	15.6%
50 largest debtors	1,223,140	28.3%	1,284,169	28.7%
100 largest debtors	1,806,666	41.3%	1,810,342	40.4%

d. Breakdown by maturity

	2008		2007	
	R\$	%	R\$	%
Overdue	138,387	3.2	82,110	1.8
Falling due in 30 days	1,017,971	23.6	727,155	16.2
Falling due in 31 to 60 days	597,036	13.8	572,610	12.8
Falling due in 61 to 90 days	463,966	10.8	489,912	10.9
Falling due in 91 to 180 days	896,304	20.8	1,021,155	22.9
Falling due in 181 to 360 days	592,949	13.7	783,867	17.5
Falling due over 360 days	608,819	14.1	801,806	17.9
TOTAL PORTFOLIO	4,315,432	100.0	4,478,615	100.0

9. Loan classification per risk level and allowance for doubtful loans

We demonstrate below the risk levels of loans, segregating:

(i) Retail operations, characterized by direct consumer lending (CDC) - personal loans and personal loans with payroll-consigned payment of installments.

(ii) Wholesale operations, characterized by loans and financing originally intended for legal entities, as well as acquisitions of loans to individuals acquired and backed by assignee financial institutions.

a. Loan portfolio according to risk levels - Retail operations (i)

Risk levels	%	Performing loans		Non-performing loans			Total Loans	Total Provision	Additional Provision	Total Provision
		R\$	Provisions	Overdue	Falling due	Provisions				
AA	0.0%	-	-	-	-	-	-	-	-	-
A	0.5%	432,467	2,162	-	-	-	432,467	2,162	-	2,162
B	1.0%	1,024	10	3,239	24,117	274	28,380	284	-	284
C	3.0%	-	-	3,613	11,311	448	14,924	448	224	672

Risk levels	%	Performing loans		Non-performing loans			Total Loans	Total Provision	Additional Provision	Total Provision
		R\$	Provisions	Overdue	Falling due	Provisions				
D	10.0%	-	-	3,791	8,698	1,249	12,489	1,249	1,873	3,122
E	30.0%	-	-	4,170	6,537	3,212	10,707	3,212	1,606	4,818
F	50.0%	-	-	3,222	3,679	3,451	6,901	3,451	1,104	4,555
G	70.0%	-	-	3,339	2,802	4,299	6,141	4,299	1,597	5,896
H	100.0%	-	-	28,445	8,508	36,953	36,953	36,953	-	36,953
TOTAL IN DECEMBER/2008		433,491	2,172	49,819	65,652	49,886	548,962	52,058	6,404	58,462
% Portfolio		11.1%		0.9%	1.3%		13.3%			
TOTAL IN DECEMBER/2007		394,627	1,973	54,551	61,618	61,665	510,796	63,638		
% Portfolio		8.8%		1.2%	1.4%		11.4%			

b. Loan portfolio, according to risk levels - Wholesale operations (ii)

Risk levels	%	Performing loans		Non-performing loans			Total Loans	Total Provision	Additional Provision	Total Provision
		R\$	Provisions	Overdue	Falling due	Provisions				
AA	0.0%	41,241	-	-	-	-	41,241	-	-	-
A	0.5%	1,595,323	7,977	-	-	-	1,595,323	7,977	-	7,977
B	1.0%	1,169,946	11,699	2,489	10,079	126	1,182,514	11,824	-	11,824
C	3.0%	295,634	8,869	13,997	21,371	1,061	331,002	9,930	4,965	14,895
D	10.0%	57,524	5,752	10,534	8,453	1,898	76,511	7,651	11,476	19,127
E	30.0%	5,126	1,538	21,435	4,280	7,714	30,841	9,252	4,626	13,878
F	50.0%	8,335	4,167	11,678	418	6,048	20,431	10,215	3,269	13,484
G	70.0%	-	-	7,954	44	5,599	7,998	5,599	2,080	7,679
H	100.0%	560	560	14,377	3,604	17,981	18,541	18,541	-	18,541
TOTAL PORTFOLIO - LOANS EXTENDED		3,173,689	40,562	82,464	48,249	40,427	3,304,402	80,989	26,416	107,405
Guarantees Provided		462,068					462,068			
TOTAL IN DECEMBER/2008		3,635,757	40,562	82,464	48,249	40,427	3,766,470	80,989	26,416	107,405
% Portfolio		86.2%		0.4%	0.2%		86.7%			
TOTAL IN DECEMBER/2007		3,946,771	38,686	16,016	5,139	8,027	3,967,819	46,713		
% Portfolio		88.1%		0.4%	0.1%		88.6%			

c. Total loan portfolio according to the risk levels

Risk levels	%	Performing loans		Non-performing loans			Total Loans	Total Provision	Additional Provision	Total Provision
		R\$	Provisions	Overdue	Falling due	Provisions				
AA	0.0%	41,241	-	-	-	-	41,241	-	-	-
A	0.5%	2,027,790	10,139	-	-	-	2,027,790	10,139	-	10,139
B	1.0%	1,170,970	11,709	5,728	34,196	400	1,210,894	12,108	-	12,108
C	3.0%	295,634	8,869	17,610	32,682	1,509	345,926	10,378	5,189	15,567
D	10.0%	57,524	5,752	14,325	17,151	3,147	89,000	8,900	13,349	22,249
E	30.0%	5,126	1,538	25,605	10,817	10,926	41,548	12,464	6,232	18,696
F	50.0%	8,335	4,167	14,900	4,097	9,499	27,332	13,669	4,373	18,039
G	70.0%	-	-	11,293	2,846	9,898	14,139	9,898	3,677	13,575
H	100.0%	560	560	42,822	12,112	54,934	55,494	55,494	-	55,494
TOTAL PORTFOLIO - LOANS EXTENDED		3,607,180	42,734	132,283	113,901	90,313	3,853,364	133,047	32,820	165,867
Guarantees Provided		462,068					462,068			
TOTAL IN DECEMBER/2008		4,069,248	42,734	132,283	113,901	90,313	4,315,432	133,047	32,820	165,867
% Portfolio		97.3%		1.2%	1.5%		100.0%			
TOTAL IN DECEMBER/2007		4,341,298	40,659	70,567	66,757	69,692	4,478,615	110,351		
% Portfolio		96.9%		1.6%	1.5%		100.0%			

d. Provision for doubtful loans - Consolidated

2008			
	Retail	Wholesale	Total
Opening balance	63,638	46,713	110,351
Write-offs against provision	(53,803)	(11,547)	(65,350)
Assigned portfolio	(29,561)	-	(29,561)
Provision recorded for the period	62,250	55,357	117,607
Additional provision	6,404	26,416	32,820
CLOSING BALANCE	48,928	116,939	165,867

2007			
	Retail	Wholesale	Total
Opening balance	25,510	32,800	58,310
Write-offs against provision	(41,485)	(3,546)	(45,031)
Provision recorded for the period	79,613	17,459	97,072
CLOSING BALANCE	63,638	46,713	110,351

The total loans renegotiated during the year was R\$ 57,474 (in 2007, R\$ 38,383), and the total recovery of loans written off from prior years was R\$ 7,674 in Fibra Consolidated (in 2007, R\$ 4,344).

The provision to cover losses arising from credits has been established according to Brazilian Monetary Council (CMN) Resolution 2.682. The minimum percentages for each risk band comply with the general rule, although higher levels are used within each risk band based on the judgment and experience of the Management.

Owed to greater market volatility, we have established additional provisions for losses to the amount of R\$ 32.8 million, in excess of the minimum required by the banking authorities. This provision has been established so as to enable absorption of any increases in default related to the serious erosion of the economic scenario. The balance has been established based on historic behavior of the credit portfolios during times of economic crisis.

e. Loans assigned - Consolidated

In the year ended December 31, 2008 the loans assigned were the following:

- Asset contracts having joint liability with another financial institution in the amount of R\$ 73,248 at Banco Fibra S.A. and Fibra Consolidated at the amount of R\$ 55,864. The operation resulted in net income of R\$ 7,342.
- Contracts were assigned, without co-obligation, to an unrelated Financial Loan Securitization Company, for the amount of R\$ 51,127, for which full provisions have been made, being R\$ 29,561 from risk level “H” and R\$ 21,566 recorded as loans written off as losses. The operation undertaken for the amount of R\$ 2,516, produced a gain in the result of R\$ 1,439, net of tax effects.

10. Shareholding interest in subsidiaries and other permanent assets

Shareholding interest in subsidiaries

2008							
Companies	Interest held by the Bank	Shareholders' equity	Net Income (loss) for the year	Equity in earnings (losses) of the year	Prior year adjustments	Goodwill on the investment	Book value of the investment
Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.999%	55,865	4,814	4,814	-	-	55,864
Fibra Projetos e Consultoria Econômica Ltda. (a)	99.999%	6,306	(1,100)	(1,100)	-	-	6,306
Fibra Cia. Securitizadora de Créditos Financeiros (d)	99.999%	22,109	1,784	1,784	-	-	22,109
Fibra Cia. Securitizadora de Créditos Imobiliários	99.953%	52,420	1,743	1,742	-	-	52,395
GVI Promotora de Vendas Ltda. (b)	99.999%	24,676	(27,104)	(27,104)	22,613	35,201	24,676
CredFibra S.A. (c)	99.990%	933	65	65	-	19,331	932
TOTAL				(19,799)	22,613	54,532	162,282

							2007
Companies	Interest held by the Bank	Shareholders' equity	Net Income (loss) for the year	Equity in earnings (losses) of the year	Prior year adjustments	Goodwill on the investment	Book value of the investment
Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.999%	52,226	(13,804)	-	(13,804)	-	52,226
Fibra Projetos e Consultoria Econômica Ltda. (a)	99.999%	7,407	( 2,757)	-	( 2,757)	-	7,407
Fibra Cia. Securitizadora de Créditos Financeiros (d)	99.989%	6,325	2,421	-	2,421	-	6,324
Fibra Cia. Securitizadora de Créditos Imobiliários	99.953%	50,677	7,019	-	7,016	-	50,653
GVI Promotora de Vendas Ltda. (b)	99.999%	27,280	( 5,878)	(18,266)	( 5,762)	39,186	9,010
CredFibra S.A. (c)	99.990%	868	7	-	7	21,519	868
TOTAL				(18,266)	(12,879)	60,705	126,488

Notes:

(a) A capital increase in the amount of R\$ 4,600 was performed in the course of the first semester of 2007.

(b) In the first semester of 2008, capita increase was approved to the amount of R\$19,100 on 03 March 2008, fully paid up, resulting in capital of R\$ 52, 122. On February 26, 2007, Banco Fibra S.A. acquired GVI Promotora de Vendas Ltda. The transfer of R\$ 33,000 at GVI Promotora de Vendas Ltda. (R\$10,000 on March 2, R\$ 10,000 on June 4 and R\$ 13,000 on September 11), fully paid up. The goodwill on the acquisition of the company is based on future economic benefits, amortizing over ten years. The goodwill is recorded in the intangible group to the amount of R\$ 35,201 in Banco Fibra and Fibra Consolidated. The amount amortized until December 31, 2008 represents R\$ 4,649.

(c) On October 15, 2007, Banco Fibra purchased all of the

shares issued by Companhia Credlecca S.A., for the amount of 901,000 ordinary, nominative shares, equivalent to 100% of the Company's capital, and of this total, 90 ordinary nominative shares were sold by Banco Fibra S.A. to Fibra Projetos e Consultoria Econômica Ltda. Subsequently, the company's name was altered to Credfibra S.A. The goodwill on the purchase of the company, which is being amortized over ten years, was registered based on expected future profitability or from realization of investments. The goodwill is recorded in the intangible group for the amount of R\$ 19,331 in the Banco Fibra and Fibra Consolidated. The amount amortized until December 31, 2008 represents R\$ 2,553.

(d) On November 3, 2008 a capital increase was conducted for the amount of R\$ 14,000, based on the issuance and subscription of 14,000,000 new nominal common shares.

11. Agencies abroad

	Intercompany balances		Third party balances	
	2008	2007	2008	2007
Assets				
Cash and banks	18	18	41,073	3,290
Interbank investments	81,818	109,821	579,111	40,049
Securities and derivative financial investments	346,131	320,578	40,649	31,916
Loans	1,069,727	3,170	128,912	104,818
Other receivables	-	-	2,744	-
Other assets	-	-	7,918	871
Liabilities				
Demand deposits	-	-	17,537	11,276
Time deposits	3,387	-	635,856	65,677
Repurchase agreements	-	-	-	25,103
Acceptances and endorsements	-	-	975,495	320,073
Borrowings and repass borrowings	-	-	301,085	173,159
Other liabilities	-	-	2,857	54,630

12. Interbank demand and time deposits

a. Maturity terms

	Banco Fibra				Fibra Consolidated			
	Demand and other deposits	Time Deposits	Interbank	Total Deposits	Demand and other deposits	Time Deposits	Interbank	Total Deposits
Up to 30 days	107,046	893,450	246,312	1,246,808	104,333	891,993	245,470	1,241,796
31 to 60 days	-	278,361	69,681	348,042	-	270,972	69,681	340,653
61 to 90 days	-	119,985	33,610	153,595	-	114,770	31,297	146,067
91 to 180 days	-	296,185	65,042	361,227	-	280,463	46,909	327,372
181 to 360 days	-	236,137	106,860	342,997	-	227,461	100,622	328,083
More than 360 days	-	328,288	173	328,461	-	323,965	-	323,965
TOTAL IN 2008	107,046	2,152,406	521,678	2,781,130	104,333	2,109,624	493,979	2,707,936
TOTAL IN 2007	123,827	2,118,639	501,980	2,744,446	122,985	2,086,356	389,551	2,598,892

(1) Classified to current without considering the average historic turnover.

13. Money market repurchase commitments

This refers to securities sold in the market carrying repurchase

commitments, backed by government or third party securities according to the following terms:

	Up to 30 days	in 31 to 90 days	in 91 to 180 days	in 181 to 360 days	Over 360 days	Total in 2008	Total in 2007
Banco Fibra S.A.	1,682,557	151,933	-	-	-	1,834,490	8,350,589
Fibra Consolidado	1,682,557	151,933	-	-	-	1,834,490	8,347,584

14. Acceptances and endorsements - Consolidated

This refers to issuances of housing bonds and securities abroad, based on a program of total issues of up to US\$ 500 million. Banco Fibra S.A.,

through its branch located in Grand Cayman, has already made three issues in Dollars with rates of 6.5% to 8% per annum, and one issue in Reais with rate the of 17.85% per annum, as follows:

a) Housing bonds

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total in 2008	Total in 2007
Banco Fibra S.A. e Fibra Consolidado	16,559	17,889	306	1,408	-	10,005	46,167	-
TOTAL	16,559	17,889	306	1,408	-	10,005	46,167	-

b) Securities abroad

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total in 2008	Total in 2007
Series in US\$	-	116,406	-	6,571	167,693	684,824	975,494	320,073
Series in R\$	8,126	-	-	-	-	129,835	137,961	134,677
TOTAL	8,126	116,406	-	6,571	167,693	814,659	1,113,455	454,750

15. Foreign loans and domestic repass borrowings

a. Foreign loans

These are represented by funds in foreign currency on which financial

charges are levied i.e., LIBOR plus interest ranging from 0.15% and 0.50% p.a. or pre-fixed interest from 4.05% to 7.82% p.a., in the following terms:

	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total in 2008	Total in 2007
International Finance Corporation - IFC	2,457	-	-	-	537,510	539,967	288,217
Others	134,325	321,247	463,015	135,690	157,583	1,211,860	776,058
TOTAL	136,782	321,247	463,015	135,690	695,093	1,751,827	1,064,275

The borrowing operations with International Finance Corporation - IFC acting as intermediary - include derivative financial instruments contracted from negotiations associated with funding operations, under the terms of BACEN Circular 3150/02, which are valued based on the terms defined in the contract, without any adjustment arising from the market value of the derivative.

b. Domestic repasses

Domestic repass obligations are the funds repassed by BNDES and FINAME (Government Agency for Machinery and Equipment Financing) and price level restated according to the TJLP (Long Term Interest Rate) plus interest rates from 1.00% to 11.45% p.a., according to the following terms:

	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total in 2008	Total in 2007
Banco Fibra S.A. and Fibra Consolidated	12,846	21,835	70,739	80,792	-	186,212	345,345

16. Foreign exchange portfolio

Banco Fibra S.A. and Fibra Consolidated			
2008			
	Interbank	Clients	Total
Assets	109,263	733,592	842,855
Purchased exchange pending settlement	-	708,166	708,166
Rights on exchange sale	117,060	11,041	128,101
(-) Advances in local currency	(7,797)	(8,926)	(16,723)
Income receivable	-	23,311	23,311
Liabilities	113,879	38,171	152,050
Liabilities for exchange purchases	-	574,483	574,483
Sold exchange pending sales settlement	113,879	12,323	126,202
(-) Advances on exchange contracts	-	(548,635)	(548,635)

Banco Fibra S.A. and Fibra Consolidated			
2007			
	Interbank	Clients	Total
Assets	2,610	538,245	540,855
Purchased exchange pending settlement	1,303	523,514	524,817
Rights on exchange sale	4,798	13,887	18,685
(-) Advances in local currency	(3,491)	(13,072)	(16,563)
Income receivable	-	13,916	13,916
Liabilities	6,093	35,398	41,491
Liabilities for exchange purchases	1,293	554,579	555,872
Sold exchange pending sales settlement	4,800	13,914	18,714
(-) Advances on exchange contracts	-	(533,097)	(533,097)
Unearned discount	-	2	2

17. Breakdown of other accounts with significant balances

a. Current assets and long term receivables - Other receivables - Other

The account “Other receivables - Other” refers mainly to:

- (i) Guarantee deposits for the amount of R\$ 56,554 in Banco Fibra S.A. (in 2007, R\$ 38,484) and R\$ 84,364 in Fibra Consolidated (in 2007, R\$ 73,093);
- (ii) Recoverable taxes for the amount of R\$ 21,094 in Banco Fibra (in 2007, R\$ 40,512) and R\$ 33,290 in Fibra Consolidated (in 2007, R\$ 52,530);
- (iii) Advances to suppliers of our account for the amount of R\$ 1,454 (in 2007, R\$ 627) in Banco Fibra and R\$ 1,480 (in 2007, R\$ 3,014) in Fibra Consolidated;
- (iv) Tax credits to the amount of R\$ 282,513 (in 2007, R\$ 131,963) in Banco Fibra and R\$ 318,942 (in 2007, R\$ 148,976) in Fibra Consolidated; and
- (v) Real estate receivables of R\$ 26,515 (in 2007, R\$ 35,582) in Fibra Consolidated.

b. Prepaid expenses

Prepaid expenses refer to commissions paid to service providers resulting from the prospecting of retail operations and are controlled by contract. The allocation of this expense to net income for the period is executed in accordance with the term of the contracts. On December 31, 2008 the sum was R\$ 24,009 for loans - payroll (in 2007, R\$ 27,310) and R\$ 16,737 for CDC - Direct Consumer Credit Operations (in 2007, R\$ 7,931).

Banco Fibra S.A.		
Other administrative expenses	12/31/2008	12/31/2007
Transport	1,958	909
Amortization	2,694	2,051
Depreciation	1,133	992
Rents	2,795	2,494
Data processing	8,120	4,210
Communications	6,658	5,437
Outsourced services	52,890	17,267
Financial system services	9,000	5,602
Publicity and Advertising Expenses	1,242	1,445
Travel Expenses	1,847	719
Specialized technical services	9,472	7,731
Other	4,442	3,772
TOTAL	102,251	52,629

Other prepayments that are being appropriated over the period of the contracts, refer to expenses from placing securities overseas, which at December 31, 2008, amounted to R\$ 5,209 (in 2007, R\$ 4,756).

c. Current liabilities – Interbank accounts – Interbank repasses

This refers to the lines supported by Brazilian Central Bank Resolution 2770 repassed by Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. to Banco Fibra S.A., at normal market rates and used to peg foreign currency repasses.

d. Current liabilities and long term liabilities - Other liabilities - Other

This refers mainly to the provisions for contingent liabilities, which totaled R\$ 12,782 in Banco Fibra S.A. (in 2007, R\$ 10,892) and R\$ 13,778 in Fibra Consolidated (in 2007, R\$ 11,875), provision for payments to be made of R\$ 6,534 in Banco Fibra S.A. (in 2007, R\$ 18,434) and R\$ 10,250 in Fibra Consolidated (in 2007, R\$ 20,730), Certificates of Real Estate Receivables of R\$ 13,830 (in 2007, R\$ 21,997) in Fibra Consolidated and retail operations to settle for the amount of R\$ 8,896 in Banco Fibra S.A. and Fibra Consolidated (in 2007, R\$ 36,599).

e. Other administrative expense

The account “Other administrative expenses” in the income statement refers to:

Fibra Consolidated		
Other administrative expenses	12/31/2008	12/31/2007
Transport	2,171	1,285
Amortization	3,350	2,295
Depreciation	2,804	1,681
Rents	4,882	3,652
Data processing	11,857	7,237
Communications	14,500	8,751
Outsourced services	10,595	14,573
Financial system services	9,119	4,896
Publicity and Advertising Expenses	2,961	2,346
Travel Expenses	5,226	2,494
Specialized technical services	10,912	8,849
Other	7,756	6,436
TOTAL	86,133	64,495

f. Other operating income

In 2008, this refers substantially to income from credit extension operations totaling R\$ 2,516 at Banco Fibra S.A. and Fibra Consolidated, reimbursement of performance fee, to the amount of R\$ 4,591 at Banco Fibra S.A. and Fibra Consolidated, price level restatement of court deposits for the amount of R\$ 1,777 (in 2007, R\$ 835) at Banco Fibra S.A. and R\$ 2,712 (in 2007, R\$ 1,362) in Fibra Consolidated and price level

restatement of taxes to offset for the amount of R\$ 42 (in 2007, R\$ 1,050) at Banco Fibra S.A. and R\$ 927 (in 2007, R\$ 1,577) in Fibra Consolidated.

g. Other operating expenses

The account “Other Operating Expenses” in the statements of income, refers mainly to:

Banco Fibra S.A.		
Other operating expenses	12/31/2008	12/31/2007
Reintegration of goods	349	160
Civil contingencies	1,623	1,191
Provision for contingent liabilities	5,420	21,147
Legal indemnity costs	1,450	1,898
Collection fines	1,294	152
Money lending insurance	1,460	1,283
Goodwill amortization	6,174	-
Guarantee costs	625	383
Exchange variation - Cayman	-	3,031
Other	2,858	2,092
TOTAL	21,253	31,337

Fibra Consolidated		
Other operating expenses	12/31/2008	12/31/2007
Reintegration of goods	373	188
Civil contingencies	1,705	1,291
Exchange variation	4,288	-
Provision for contingent liabilities	6,557	23,512
Legal indemnity costs	1,616	1,902
Collection fines	1,294	152
Money lending insurance	1,543	1,306
Goodwill amortization	6,174	-
Guarantee costs	662	408
Exchange variation - Cayman	-	3,031
Other	3,640	2,957
TOTAL	27,852	34,747

h. Non-operating result

This item refers mainly to the gains and losses in the sale of permanent assets, assets not for own use and the recording of provisions for potential losses on assets of this nature for the amount of R\$ 193 in Banco Fibra and R\$ 172 in Fibra Consolidated and losses from frauds from CDC/loan - payroll operations for the amount of R\$ 2,078 in Banco Fibra and Fibra Consolidated.

In 2007, the income refers mainly to BM&F stocks sales, resulting in a gain of R\$ 24,389.

18. Income and social contribution taxes

As of December 31 2008 and 2007, the Bank had income and social contribution tax credits, calculated according to the prevailing rates as shown below. These credits are recorded under assets as "Other Receivables - Other" considering the estimates for realization in light of forecasts for taxable income based on a technical study.

As of December 31, 2008 and 2007, there are no tax credits that have not been recorded from income tax losses or the negative social contribution base in Banco Fibra and Fibra Consolidated.

Banco Fibra S.A.					
	Balance at 12/31/2006	Constitution/ (realization)	Balance at 12/31/2007	Constitution/ (realization)	Balance at 12/31/2008
<b>Tax credits</b>					
<b>Total tax credits from temporary differences</b>	<b>49,525</b>	<b>44,864</b>	<b>94,389</b>	<b>91,879</b>	<b>186,268</b>
Allowance for doubtful loans	33,843	26,316	60,159	43,073	103,232
Provision for profit sharing	3,347	834	4,181	(4,181)	-
Provision for labor contingencies	1,865	(56)	1,809	425	2,234
Provision for contingencies	3,626	84	3,710	23,152	26,862
Foreign income - Deferral	-	7,983	7,983	26,294	34,277
Provision for devaluation of securities and investments	6,320	9,803	16,123	2,735	18,858
Provision for devaluation of goods not for own use	524	(100)	424	16	440
Other	-	-	-	365	365
<b>Tax losses and negative base of social contribution tax</b>	<b>42,961</b>	<b>(19,188)</b>	<b>23,773</b>	<b>62,710</b>	<b>86,483</b>
<b>Social contribution tax - MP 2158-35 issued 08/24/2001</b>	<b>15,504</b>	<b>(1,703)</b>	<b>13,801</b>	<b>(4,039)</b>	<b>9,762</b>
<b>Total tax credits</b>	<b>107,990</b>	<b>23,973</b>	<b>131,963</b>	<b>150,550</b>	<b>282,513</b>
<b>Deferred tax liabilities</b>	<b>(4,442)</b>	<b>(11,965)</b>	<b>(16,407)</b>	<b>(50,779)</b>	<b>(67,186)</b>
<b>Net tax credits</b>	<b>103,548</b>	<b>12,008</b>	<b>115,556</b>	<b>99,771</b>	<b>215,327</b>
Net tax credits on shareholders' equity	23.5%		21.2%		28.4%
Net tax credits on total assets	1.2%		0.8%		2.2%

Fibra Consolidated					
	Balance at 12/31/2006	Constitution/ (realization)	Balance at 12/31/2007	Constitution/ (realization)	Balance at 12/31/2008
<b>Tax credits</b>					
<b>Total tax credits from temporary differences</b>	<b>46,957</b>	<b>58,175</b>	<b>105,132</b>	<b>101,759</b>	<b>206,891</b>
Allowance for doubtful loans	34,009	26,328	60,337	42,985	103,322
Provision for profit sharing	3,347	834	4,181	(4,181)	-
Provision for labor contingencies	1,865	(56)	1,809	425	2,234
Provision for contingencies	7,089	365	7,454	26,263	33,717
Foreign income - Deferral	-	7,983	7,983	26,294	34,277
Provision for valuation of securities and investments	123	22,746	22,869	9,555	32,424
Provision for valuation of goods not of own use	524	(25)	499	31	530
Other	-	-	-	387	387
<b>Tax losses and negative base of social contribution tax</b>	<b>51,062</b>	<b>(12,807)</b>	<b>38,255</b>	<b>64,034</b>	<b>102,289</b>
<b>Social contribution tax - MP 2158-35 issued 08/24/2001</b>	<b>15,504</b>	<b>(1,703)</b>	<b>13,801</b>	<b>(4,039)</b>	<b>9,762</b>
<b>Total tax credits</b>	<b>113,523</b>	<b>43,665</b>	<b>157,188</b>	<b>161,754</b>	<b>318,942</b>
<b>Deferred tax liabilities</b>	<b>(4,442)</b>	<b>(11,965)</b>	<b>(16,407)</b>	<b>(50,779)</b>	<b>(67,186)</b>
<b>Net tax credits</b>	<b>109,081</b>	<b>31,700</b>	<b>140,781</b>	<b>110,975</b>	<b>251,756</b>
Net tax credits on shareholders' equity	24.8%		27.9%		36.1%
Net tax credits on total assets	1.3%		1.5%		3.0%

As of December 31, 2008, based on a technical study which considered past realization and future profitability forecasts, we present below the annual forecast of realization of tax credits on timing differences, tax losses and negative basis of social contribution tax, and

their respective present values. To calculate the present value of the tax credits, the companies utilized as a funding cost the SELIC Rate projected year by year for the next 6 years; deducting the tax impact of IRPJ and CSLL at the rates in force on the balance sheet date.

	Banco Fibra S.A.		Fibra Consolidated	
	Face value	Present value	Face value	Present value
<b>Year to be realized</b>				
2009	35,932	35,004	40,230	38,050
2010	42,490	38,979	47,642	42,265
2011	49,238	42,461	55,472	46,131
2012	54,208	45,120	61,951	48,403
2013	56,580	45,483	65,392	48,050
2014	44,065	35,062	48,255	33,023
<b>TOTAL</b>	<b>282,513</b>	<b>242,109</b>	<b>318,942</b>	<b>255,922</b>

Fiscal base of income and social contribution tax of Banco Fibra S.A.:

	2008		2007	
	IRPJ	CSLL	IRPJ	CSLL
<b>Income before income taxes and profit sharing</b>	<b>44,917</b>	<b>44,917</b>	<b>136,197</b>	<b>136,197</b>
Payment of Interest on own capital	(82,226)	(82,226)	(29,438)	(29,438)
Profit sharing	(18,327)	(18,327)	(27,128)	(27,128)
<b>Income before income and social contribution taxes</b>	<b>(55,636)</b>	<b>(55,636)</b>	<b>79,631</b>	<b>79,631</b>
<b>Income tax (25%) and social contribution tax (15% in 2008 and 9% in 2007) charges</b>	<b>13,909</b>	<b>9,841</b>	<b>(19,908)</b>	<b>(7,167)</b>
<b>Effect of additions and exclusions on the tax calculations:</b>	<b>24,129</b>	<b>15,489</b>	<b>(9,798)</b>	<b>(3, 528)</b>
Nondeductible net expenses from non taxable income	-	-	(1,983)	(714)
Ineligible Tax Credits for the Period	(411)	(232)	-	-
IRRF Exterior	1,410	-	-	-
Profit/Loss Abroad	15,552	10,740	-	-
Nondeductible Expenses - Permanent	(1,145)	(627)	-	-
Interest in subsidiaries	8,723	5,609	(7,815)	(2,814)
	<b>2,261</b>	<b>10,238</b>	<b>-</b>	<b>-</b>
Other	2,261	(47)	-	-
Additional CSLL 6%	-	10,285	-	-
<b>INCOME AND SOCIAL CONTRIBUTIONS TAXES FOR THE YEAR</b>	<b>40,299</b>	<b>35,567</b>	<b>(29,706)</b>	<b>(10,695)</b>

19. Contingent assets and liabilities and legal obligations- Tax and social security

Banco Fibra and its subsidiaries are involved in legal suits and administrative processes arising during the normal course of operations concerning issues of a civil, labor, tax and social security nature.

a. Contingent assets

Contingent assets: are not accounted for except upon the existence of a favorable ruling, for which no appeals are permitted, characterized as practically certain. The most significant are: (i) COFINS (Tax for Social Security Financing) - R\$ 21,857 and PIS - R\$ 4,215; petition for restitution of values paid from July 2001 to June 2006, which exceed the calculation on the basis of Complementary Law 7/70 and in view of the unconstitutionality of the expansion of the calculation base provided in Law 9718/98; (ii) administrative processes for the amount of R\$ 22,008.

b. Provisions of a labor and civil nature

The Banco Fibra and Fibra consolidated, based on the information provided by their legal counsel and on a review of the pending legal matters, which involve suits calling for indemnity of material losses and damages, pain and suffering especially arising from the collection of debts, has established provisions based on the history of losses verified in similar cases. In relation to labor suits, based on prior experience related to amounts demanded and in accordance with the status of each one of the processes, the Company has established a provision in an amount deemed sufficient to cover estimated losses involved in the pending suits.

c. Legal obligations and contingent liabilities classified as probable losses

The most relevant issues related to legal obligations and contingent liabilities are:

- **CSLL Isonomy** - Lodged to suspend the CSLL requirement applicable to financial institutions at rates higher than those applicable to other legal entities in view of the disregard to the constitutional principle of isonomy, in amount of R\$ 27,380.
- **COFINS and PIS** - Petitions payment of the contributions beginning June 2006 on the basis of the calculation stipulated by Complementary Law 7/70, in and in view of the unconstitutionality

of the enlargement of the calculation basis provided in Law 9718/98. Banco Fibra and Fibra Asset Management obtained a favorable court decision to recognize the right to the payment without the enlargement of the calculation basis imposed by Art. 3 of Law 9718/98, and did not file an Appeal against the decision contrary to the revocation of the total exemption from the contributions. After the decision, Banco Fibra S.A. and Fibra Asset Management DTVM Ltda., who were benefited by the preliminary injunction, started to pay the contribution without the enlargement of the calculation basis imposed by Law 9718/98. The lawyers working on this process understand that the loss probability to Banco Fibra S.A and Fibra Asset Management DTVM Ltda. is very low. The amount being discussed, corrected and provisioned, is R\$ 54,652.

- **PIS** - Seeking to discontinue administrative collection related to offsetting credits earned from 1996 to 1998, related to the calculations bases established by Constitutional Amendments 10/96 and 17/97, which are pending court decision. The value of the dispute, price level restated and recorded is R\$ 12,271 in Banco Fibra S.A.

d. Contingent liabilities classified as possible losses

The contingent liabilities classified as possible losses are monitored by the institution and are based on reports issued by its legal counsel in relation to each one of the legal measures and administrative processes. Therefore, according to prevailing regulations, the contingencies classified as possible losses have not been recorded in the accounting records. These contingencies mainly comprise the following issues: a) R\$ 23,581 for ISS (Services tax) collection in several periods and by several municipalities in Brazil on leasing operations, since the same tax had been collected in the city in which the now defunct company was located; b) R\$ 12,197 for CPMF from the leasing company, claiming the same treatment as financial institutions; c) R\$ 11,727 from assessments raised by municipals, charging service tax (ISS) on various accounts, based on the argument that they refer to income from services provided; d) R\$ 9,867 for IRPJ and CSLL for deducting losses from assignment of doubtful debt operations; e) R\$ 2,739 for a nullification claim for an assessment raised for IRPJ for 1991 and f) R\$ 46,034 - Administrative processes (ISS on leasing operations mercantile / ISS on banking services / CSLL and IRPJ - compensation of losses - incorporation).

e. Movement of the provision for legal claims

Fibra Consolidated			
	2007		2008
	Beginning balance	Movement	Final balance
Civil and labor			
Civil suits	6,555	1,635	8,190
Labor suits	5,320	268	5,588
TOTAL	11,875	1,903	13,778
	Beginning balance	Movement	Final balance
Tax and social security - legal obligations			
CSLL Isonomy 1996 to 1998	26,193	1,187	27,380
CSLL	86	-	86
INSS education salary	727	10	737
Finsocial	1,161	-	1,161
ISS	199	-	199
PIS Law 9718	795	7,472	8,267
COFINS Law 9718	4,892	41,493	46,385
PIS - Constitutional Amendment 10/96 and 17/97	-	12,271	12,271
TOTAL	34,053	62,433	96,486

20. Subordinated debt eligible for capital

Banco Fibra issued 4 series of subordinated debts, homologated by the Central Bank of Brazil, amounting to R\$ 209,491 in issued

securities, of which the amount of R\$ 158,878 can be calculated as eligible for Level II Regulatory Capital (2007, R\$ 135,605), as presented below:

			At 12/31/2008		At 12/31/2007	
Date of operation	Data de Maturity	Remuneration	Balance	Capital level II	Balance	Capital level II
05/18/2007	05/18/2012	CDI + 1.28%	93,205	55,923	81,882	65,506
10/30/2007	10/30/2012	CDI + 1.08%	22,231	13,339	19,568	15,654
03/24/2008	03/25/2013	CDI + 1.38%	22,192	17,753	-	-
10/14/2005	03/02/2016	PRE 7.5%	71,863	71,863	54,445	54,445
TOTAL			209,491	158,878	155,895	135,605

21. Shareholders’ equity

a. Capital

Shareholders capital is divided into 1,650,858,430 shares, whereas 1,584,781,541 common shares and 66,076,889 preferred shares, all nominative and with no par value.

Each individual ordinary share corresponds to 1 (one) vote in the Shareholders’ General meetings, with the preference shares having no voting rights, but they are assured the following preferences and advantages: (i) right to participate in profit distributions under the same terms as ordinary shares; (ii) priority in reimbursement of capital at no premium; and (iii) right to be included in the public offer of shares, arising from the sale of the controlling interest or the cancellation of the company’s registration as a public corporation, or discontinuity of the segment from the Level I list with Bovespa (except if to another segment from the Bovespa list), guaranteeing dividends at least equal to those for ordinary shares from the controlling block.

b. Capital increase

In an Extraordinary General Meeting held on June 30, 2008, it was decided that there should be a Capital Increase of the Company of R\$ 61,900, by means of capitalization of amounts allocated as interest on own capital, without new shares being issued.

At the Extraordinary General Meeting held on July 21, 2008, it was decided to increase subscribed and paid in capital for the amount of R\$ 213,131, by issuing 459,730,904 new common, nominal shares having no face value. Owed to this operation, capital stock increased to R\$ 706,461.

c. Reserves

**Legal reserve:** This is mandatory based on 5% of net income for the year, until reaching 20% of realized capital stock, or 30% of capital plus capital reserves. After this limit, allocation is no longer mandatory.

**Statutory reserves:** Excess profits from the second semester (profits minus Equity Interest and Legal Reserve) shall be devoted to the Statutory Profit Reserve.

Based on a proposal by the Management, the statutory reserve, established on the basis of Article 53 of the articles of incorporation, is made up of the accumulated amounts remaining in net income from periods that have already ended, minus equity interest, dividends and legal reserve and, after decision by the Annual General Meeting, can be used to strengthen the capital stock and working capital of the company.

The Management decided to earmark retained earnings as of June 30, 2008 until 2010, according to that provided in Brazilian Central Bank Circular Letter 3605.

I – Calculation

Net income for the year	102,456	
<b>Deductions:</b>		
(-) Legal reserve	(5,123)	
Dividend Calculation Base	97,333	
Dividends and interest on own capital	82,226	84.5%

**II - Payment** - During the year ended December 31, 2008, it was decided to pay out interest on own capital in compliance with article 9 of Law 9249/95, for the total amount of R\$ 82,226, an amount which is higher than the minimum mandatory dividend provided for in the By-laws, reducing income and social contribution taxes for the period in the amount of R\$ 32,356.

	Assets (liabilities)		Income (expenses)	
	2008	2007	2008	2007
Liabilities for committed operations	-	-	(307)	-
Securities and derivative financial instruments	390,881	376,353	28,759	70,016
Deposits	(73,174)	(148,558)	(18,155)	(23,527)
Interbank accounts	(386,093)	(273,112)	(130,957)	24,420
Borrowings and repasses	(548,196)	(288,217)	(27,090)	(4,842)
Other liabilities	(94)	(2)	-	-

d. Dividends and interest on own capital

The shareholders are entitled to receive mandatory dividends of not less than 25% (twenty five percent) of net profits for the calendar year, every year, after deductions provided for in the By-laws and in compliance with that contained in the Brazilian Corporation Law. The amount paid or credited as equity earnings according to relevant legislation can be construed as mandatory dividends and incorporating such amount to the amount of dividends distributed by the Company for all legal purposes. Intermediary and interim dividends must at all times be credited and acknowledged as advances on mandatory dividends.

22. Related party transactions

Transactions with related parties were conducted under normal market terms and conditions, taking into account the absence of risks, and are shown below:

23. Fund management

Fibra Consolidated is responsible for the management of a number of investment funds and portfolios, of which net assets totaled R\$ 466,945 at December 31, 2008 (in 2007, R\$ 956,791).

24. Cashflow statement

Introduced to financial statements by Law 11638/07, the purpose of this statement is to present information related to changes in net assets of the institution and provide greater transparency in relation to its financial structure.

The major cashflow fluctuations arising from investment operations resulted in a year end final investment to the amount of R\$ 39,033 (in 2007, R\$ 101,992) in Banco Fibra S.A. and R\$ 9,313 (in 2007, R\$ 67,710) in Fibra Consolidated substantially comprising the following elements:

(a) Shareholding interest capital increase

During 2008, Banco Fibra S.A. increased the capital of its subsidiaries, GVI Promotora de Vendas by the amount of R\$ 19,100 and in Fibra Cia. Securitizadora de Créditos Financeiros by the amount of R\$ 14,000.

(b) Applications in deferred and intangible assets

These reflect the costs and expenses involved in the acquisition and development of software programs used to process data and expenses for improvements in third party properties leased for the purpose of conducting bank operations.

(c) Statements of cash flow

We have shown below a brief chart depicting a breakdown of the cash and cash equivalents:

	Banco Fibra S. A.			Fibra Consolidated		
	2nd Semester	Year	Year	2nd Semester	Year	Year
<b>Assets</b>	<b>10,611,309</b>	<b>3,751,986</b>	<b>9,341,858</b>	<b>10,610,652</b>	<b>3,757,590</b>	<b>9,298,924</b>
Cash and banks	15,361	75,576	6,712	16,106	76,818	8,065
Interbank investments	8,963,473	1,108,287	7,379,988	8,963,473	1,108,287	7,379,988
Securities	1,632,475	2,568,123	1,955,158	1,631,073	2,572,485	1,910,871
<b>Liabilities</b>	<b>10,130,111</b>	<b>2,399,565</b>	<b>8,752,398</b>	<b>10,128,555</b>	<b>2,396,852</b>	<b>8,748,551</b>
Money market repurchase commitment	9,818,644	1,834,490	8,350,589	9,818,644	1,834,490	8,347,584
Demand deposits	75,231	107,046	123,013	73,675	104,333	122,171
Borrowings and repasses	236,236	458,029	278,796	236,236	458,029	278,796
<b>CASH AND CASH EQUIVALENTS</b>	<b>481,198</b>	<b>1,352,421</b>	<b>589,460</b>	<b>482,097</b>	<b>1,360,738</b>	<b>550,373</b>

25. Operational limits

Basel agreement

Financial institutions must maintain a minimum shareholders' equity of 11% of its consolidated assets weighted according to degree of risk plus percentages of the swap credit risk over gold exposure and liabilities referred to under foreign exchange fluctuation and interest rate variations, according to the regulations and instructions issued by BACEN.

Beginning July 1st, the Basel limit calculation formula was changed. In compliance with the tenets of the New Capital Agreement (Basle II), the Brazilian Central Bank published Resolutions

3380 and 3464 which deal with the structures for managing, operating and market risks respectively. It also published Circular Letters 3360, 3361 to 3366, 3368, 3383, 3388 and 3389, which define the methodologies of the Capital portion necessary for Credit, Market and Operating Risks respectively, as well as Resolutions 3444, which amends the regulations for calculating Reference Equity and Circular Letter 3490, which provides for calculating the Required Reference Equity to be used beginning July 1st, 2008.

On December 31, 2008 the Bank was within this operations limit as shown below:

	2008
Reference Equity (PR)	910,000
Required Reference Equity (PRE)	(706,563)
Amount corresponding to PBAN	14,389
MARGIN	217,826

On December 31, 2007, the Required Shareholders' Equity according to the prevailing regulations was equal to 13.2%.

26. Supplementary information

a. Guarantees and surety bonds

Responsibility of the Bank for guarantees, surety bonds and collateral extended to third parties, on December 31:

	2008	2007
Surety Bonds - Individuals and non-financial legal entities	439,575	424,322
Loans opened for imports	22,493	28,894
TOTAL	462,068	453,216

b. Employee benefits

The Bank offers its employees, during their employment contract, the following benefits: life insurance, health insurance, food voucher, meal ticket and transport voucher. None of these benefits are considered an integral part of the salary.

The Bank did not contribute to private pension or complementary plans in the years ended 2008 and 2007.

c. Profit sharing - Employees

The Bank has its own model of payment of Profit and Gain Sharing, with criteria and parameters established in a specific plan filed at the Bankers' Union. The amount of profit share paid or provisioned during the year ended December 31, 2008 was R\$ 18,327 (R\$ 27,128, in 2007).

d. Directors' fees

The Bank's directors are remunerated through Director Compensation or salaries when registered under the CLT regime, which are presented in the personnel expenses account.

e. Insurance contract

The Banco Fibra had insurance for specified risks with basic coverage for fire, lightning, explosion or implosion - building, machinery, furniture and fixtures, electrical damage, electronic equipment, business interruption as a result of the basic coverage (for the period of 6 months), loss or payment of rent (6 month period), expenses with re-composition of records and documents and civil liability for business establishments. The maximum amount of coverage is R\$ 12,813 thousand and the period of coverage extends up to April, 2009.

AUDIT COMMITTEE REPORT

Introduction:

In keeping with Corporate Governance practices and its Internal Rule, it is incumbent upon the Audit Committee to ensure the quality and effectiveness of the controls of the Fibra Conglomerate, as well as of the compliance of its operations and businesses with the provisions of the regulations; it is also required to make the results available to the Board of Directors; this encompasses information about the evaluations presented by both the Internal and the External Auditors.

The Committee's analyses are based on information received from: the Management, the External Auditors, the Internal Auditors, and the parties responsible for risk management and for internal controls. It also resorts to its own evaluations, derived from direct observation.

It is the Management's responsibility to prepare Banco Fibra's financial statements, as well as those of its subsidiaries and sister companies; it is also incumbent upon it to establish the procedures required to ensure the appropriateness of the processes that give rise to the information used to prepare the financial statements, and of the corporate activities of risk management and control.

KPMG Auditores Independentes is the auditing company responsible for auditing the financial statements. It is incumbent upon it to ensure that these statements truthfully represent the Conglomerate's assets and financial position regarding all meaningful aspects, in line with the fundamental principles of accounting, Brazil's corporate laws, and the rules of Brazil's National Monetary Council, Securities Commission and Central Bank.

The Internal Auditors, among other objectives, are expected to focus on themes that potentially pose higher risks and on evaluating the quality of processes, as well as on the effectiveness of internal controls and of their management, thereby providing the Committee

with a critical view of the risks. It is also incumbent upon the Internal Auditors to monitor the implementation of the requirements dictated by the new capital accord - Basel II.

Activities carried out within the sphere of its duties, in this period:

The activities conducted aimed at evaluating the integrity and quality of the financial statements, making use of the structure of KPMG Auditores Independentes, of the Control Area, and of the Internal Auditors area.

The project for adapting the Conglomerate to the requirements of the New Basel Capital Accord was also monitored. In the Committee's opinion, in general terms, the Bank's approach to fulfilling the New Accord's conditions and the actions taken to manage risks are suitably oriented.

Thus, during the course of this half-year, meetings were held to establish the Committee's action plan and to present the results of its work.

In the view of the Audit Committee and taking into account the Management's efforts, the system of internal controls is being improved continuously. The actions already taken, coupled with those that are under way, are appropriate in relation to the magnitude and complexity of operations.

Evaluation of the effectiveness of the internal control systems

The Committee also believes that, in order to implement an institutional structure compatible with the complexity of the Institution's business, so as to add value and optimize the use of resources, it is essential to integrate the risk management processes with the ongoing improvement of the System of Internal Control and of Corporate Governance, reiterating the Institution's commitment to sustainable and ongoing growth.

The Institution embraces a conservative strategy where risk-taking is concerned and, therefore, to ensure that growth is underpinned by a sound control structure, it has been prioritizing investments in this area.

Thus, the following was implemented as a result of the work conducted by the Committee, among other measures taken:

- Process restructuring: The information integrity control structure was strengthened, by implementing Support processes and areas, MIS – Management Information Systems, and/or specific controls. Additionally, the liquidity management tools were refined.
- Basel II project: Strategic and operating actions were monitored from time to time, in order to ensure implementation of the best risk and regulation management practices.
- IT infrastructure improvement: With a view to reducing the operating risks of manual interventions / integrations, we highlight the updating of the Business Continuity Plan of the Institution, and the improvement of its project management tools and of the operating controls that involve the Treasury Area.

The scope of the work conducted by KPMG Auditores Independentes (in regard to which no situations were detected that might affect its objectivity and independence), covered mainly the following:

- Mapping and evaluating the risk of errors in the financial statements, associated with the strategies of the organizations that are part of the group;
- Evaluation of the use of Systems Auditing experts; and
- Performance of limited review procedures, for the purposes of issuing the IFT and ITR.

The Internal Auditors area, based on the planning of its activities, focuses its work on the priority business cycles, using process auditing methodology centered on risk. The improvement opportunities identified were relayed to the respective areas; additionally, the recommendations were monitored by the Executive Committee and the Board of Directors, to which Internal Auditing reports.

The work of the Internal Auditors and the reports prepared by the External Auditors did not point to any failures in complying with the laws, the regulations and the internal rules capable of putting the Conglomerate's continuity at risk.

Thus, the Audit Committee's evaluation of the coverage of the work and of the follow-up conducted by the Internal Auditors is positive. This indicates that the Internal Auditors as well as the External Auditors are performing their duties.

Evaluation of the quality of the accounting recommendations concerning the respective periods, with an emphasis on the application of the accounting practices adopted in Brazil and on compliance with the rules published by Brazil's Central Bank (Bacen)

The Audit Committee met with the areas of Control, Internal Auditors and External Auditors in order to evaluate the financial statements. It concluded that the accounting practices of Banco Fibra S.A. and its subsidiaries, in regard to the preparation of the financial statements and compliance with the accounting practices adopted in Brazil, were appropriate, as was compliance with the applicable laws.

Based on these reviews and discussions, the Committee recommended to the Board of Directors that the audited financial statements for the half-year ended on December 31, 2008, be approved.

São Paulo, February 26, 2009.  
Audit Committee

Corporate Information

Board of Directors

Ricardo Steinbruch  
Chairman

Clarice Steinbruch  
Board member

Elisabeth Steinbruch Schwarz  
Board member

Luiz Nelson Guedes de Carvalho  
Independent board member

Ricardo Duarte Caldeira  
Board member appointed by IFC

Executive Officers

Maercio Soncini  
Executive Vice President of wholesale business

Marcio Ronconi de Oliveira  
Executive Vice President of retail business

Osias Santana de Brito  
Executive Corporate Vice President and Investor Relations Director

Luiz Maurício Jardim  
Executive Director of Treasury and Funding

Carlos Alexandre Ribeiro Bicudo  
Director of Credit

Gustavo Fonseca Troccoli  
Director of products and structured finance

Luciana Buchmann Freire  
Legal Director

Simone Schmidt Belleza Colombino  
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Ricardo Fuscaldi de Figueiredo Baptista  
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