BANCO CENTRAL DO BRASIL
Administration Management
Department of Financial Administration

Financial Statements

June 30, 2005

BANCO CENTRAL DO BRASIL
BALANCE SHEET
(In thousands of Reais)

ASSETS	Notes	Jun 30 2005	Dec 31 2004
ASSETS IN FOREIGN CURRENCIES		**163,525,863**	**164,469,460**
Cash		1,234,731	169,885
Commitments under Agreements to Resell Assets	4	3,898,868	4,942,769
Time Deposits with Financial Institutions		60,054,635	66,984,868
Gold	5	1,147,622	1,268,674
Debt Securities	6.1	86,677,435	78,384,445
Receivables		34,723	143,103
Investments in International Financial Organizations	7	10,477,835	12,574,406
Other		14	1,310
ASSETS IN LOCAL CURRENCIES		**350,488,366**	**333,195,290**
Commitments under Agreements to Resell Assets	4	75,501	4,157,898
Derivatives	8.2	513,651	395,869
Federal Government Debt Securities	6.2	316,983,716	306,047,865
Receivables from Government	9, 37.1	12,202,743	1,892,000
Receivables	10	19,806,736	19,833,574
Property, Plant and Equipment	11	770,772	759,091
Other	12	135,247	108,993
TOTAL		**514,014,229**	**497,664,750**

LIABILITIES	Notes	Jun 30 2005	Dec 31 2004
LIABILITIES IN FOREIGN CURRENCIES		**73,949,079**	**93,298,735**
Items in the Course of Collection	13	8,029,821	5,058,335
Commitments under Agreements to Repurchase Assets	4	3,982,255	4,902,441
Loan Payables	14	51,126,795	69,349,204
Deposits	15	10,739,431	13,911,951
Other	20	70,777	76,804
LIABILITIES IN LOCAL CURRENCIES		**378,172,406**	**332,409,592**
Deposits of Financial Institutions	16	92,316,007	92,871,755
Items in the Course of Collection	13	9,839,893	-
Commitments under Agreements to Repurchase Assets	4	45,873,113	63,050,118
Payables to Government	9, 37.1	215,894,806	158,818,382
Derivatives	8.2	67,567	75,600
Own Issue Debt Securities	17	12,000,683	13,568,662
Actuarial Liabilities	18	1,065,769	1,021,243
Provisions	19	730,146	2,627,169
Other	20	384,422	376,663
CURRENCY IN CIRCULATION	21	**53,931,040**	**61,935,635**
NET EQUITY	22	**7,961,704**	**10,020,788**
Retained Earnings		2,576,356	2,576,356
Income Reserve		4,327,548	4,327,548
Revaluation Reserve		494,992	498,134
Gains/Losses not taken to Profit and Loss		(1,343,209)	2,618,750
Effects of Changes in Accounting Policies		1,906,017	-
TOTAL		**514,014,229**	**497,664,750**

The Notes are an integral part of the Financial Statements

STATEMENT OF INCOME - 1st SEM 2005
In thousands of Reais

	Notes	1st Sem 2005	1st Sem 2004
FOREIGN CURRENCY OPERATIONS		**(12,308,271)**	**3,429,787**
Interest Income		2,173,295	1,545,640
Interest Expenses		(1,973,743)	(1,772,258)
(=) Net Interest Income	23	199,552	(226,618)
Gains/Losses with Assets held for trading purposes	24	(160,715)	(705,074)
Gains/Losses with foreign currency operations	26	(12,347,108)	4,361,479
LOCAL CURRENCY OPERATIONS		**1,177,175**	**(1,716,881)**
Interest Income		24,666,555	22,559,932
Interest Expenses		(22,345,205)	(22,489,815)
(=) Net Interest Income	23	2,321,350	70,117
Gains/Losses with Assets held for trading purposes	24	1,666,844	(3,866,522)
Gains/Losses with Assets held for investment purposes	25	(321,919)	-
Gains/Losses with foreign currency-linked operations	26	(2,489,100)	2,079,524
NET PROVISIONS	27	**(335,603)**	**1,336,198**
OTHER INCOME	28	**642,921**	**732,156**
OTHER EXPENSES	28	**(792,775)**	**(985,560)**
NET INCOME	29	**(11,616,553)**	**2,795,700**

STATEMENT OF CHANGES IN NET EQUITY- 1st SEM 2005
In thousands of Reais

	Notes	RETAINED EARNINGS	INCOME RESERVE	REVALUATION RESERVE	GAINS/LOSSES NOT TAKEN TO PROFIT & LOSS	EFFECTS OF CHANGES IN ACCOUNTING POLICIES	NET INCOME
Balance as at Dec 31, 2004		**2,576,356**	**4,327,548**	**498,134**	**2,618,750**	-	**10,020,788**
Net Income		(11,616,553)	-	-	-	-	(11,616,553)
Amounts not taken to Profit & Loss	22	-	-	-	(3,961,959)	1,906,017	(2,055,942)
Realization of Reserves		3,142	-	(3,142)	-	-	-
Result to be covered by the National Treasury	29	11,615,413	-	-	-	-	11,615,413
Adjustments of previous financial years		(2,002)	-	-	-	-	(2,002)
Balance as at Jun 30, 2005		**2,576,356**	**4,327,548**	**494,992**	**(1,343,209)**	**1,906,017**	**7,961,704**
Balance as at Dec 31, 2003		**2,576,356**	**3,978,086**	**489,660**	-	-	**7,044,102**
Result of the Period		2,795,700	-	-	-	-	2,795,700
Constitution of Reserves		(349,462)	349,462	20,878	-	-	20,878
Realization of Reserves		9,866	-	(9,866)	-	-	-
Result to be transfered to the National Treasury		(2,456,104)	-	-	-	-	(2,456,104)
Balance as at Jun 30, 2004		**2,576,356**	**4,327,548**	**500,672**	-	-	**7,404,576**

The Notes are an integral part of the Financial Statements

STATEMENT OF CASH FLOWS - 1st SEM 2005 (Note 30)
In thousands of Reais

	Notes	1st Sem 2005	1st Sem 2004
OPERATING ACTIVITIES		**4,659,241**	**14,409,229**
Interest Received		1,062,413	1,777,957
Interest Paid		(1,615,343)	(1,772,563)
Purchase/Sales of Securities		(24,259,421)	13,566,577
Purchase/Sales of Foreign Currencies		24,991,110	(1,812,037)
Placements in Long-term Deposits		(59,565)	(5,318,892)
Redemption of Liability Deposits		(615,698)	3,126,651
Payments/Receipts on the behalf of the National Treasury		5,302,771	4,866,678
Credits Receivable		32,748	72,840
Other Payments/Receipts		(179,774)	(97,982)
FINANCING ACTIVITIES		**(183,243)**	**(196,351)**
Payments of loan principals		(183,243)	(196,351)
INVESTING ACTIVITIES		-	-
NET CASH FLOWS		**4,475,998**	**14,212,878**
VARIATION IN CASH AND CASH EQUIVALENTS	31	**4,475,998**	**14,212,878**
Opening Balance		7,926,114	8,356,872
Closing Balance		10,508,409	23,846,948
Exchange Rate Effect		(1,893,703)	1,277,198

The Notes are an integral part of the Financial Statements

1 - BANCO CENTRAL DO BRASIL (THE BANK) AND ITS DUTIES

Banco Central do Brasil (the Bank hereinafter), a federal government agency that is part of the National Financial System, was established on December 31, 1964 under Law 4,595, and has the mission of ensuring the stability of the purchasing power of the Brazilian currency and the soundness of the National Financial System.

The head office of the Bank is located in Brasilia, DF, at *Setor Bancário Sul, Quadra 3, Bloco B* and has representative offices situated another nine federative units.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved the present set of the Bank's financial statements on August 31, 2005. The statements are available on the Bank's website on the Internet (www.bcb.gov.br).

2 - PRESENTATION

The Bank's financial statements were prepared in accordance with the accounting practices defined by the National Monetary Council (CMN), which has determined the adoption by the Bank of the international standards issued by the International Accounting Standards Board – IASB.

Those rules are consistently applied with the exception of the items mentioned in **note 3.15**. In view of those differences and in order to allow for a comparative analysis of the income statements, the Bank republished the report for the first semester of 2004 in the new format.

3 - ACCOUNTING POLICIES

3.1 - Result

The half-yearly result is recognized on an accrual basis and is subject to transfer to the National Treasury in the event of a positive result, or otherwise covered by the entity **(note 37.1b)**.

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

3.2 - Valuation basis

The historical cost is the basis for valuing assets and liabilities, with the exception of financial assets classified as Available-for-Sale or Fair Value through Profit and Loss, which are assessed at their fair values.

The fair value is the market value as published by the principal depository trust companies (custodians) or economic information providers. For those financial instruments with no active market, the fair value is calculated with the use of pricing models, which include the prices of the most recent trades and the discounted cash flow methodology.

3.3 - Assets and liabilities denominated in foreign currencies

The functional currency of the Bank's financial statements is the Real. Foreign currency operations are translated into the Real at the exchange rate ruling at the trade date. The exchange rate variations in monetary assets and liabilities are charged to the profit or loss account as a gain or an expense. The following table presents the exchange rates at the balance sheet date.

	Jun 30 2005	Dec 31 2004
Dollar	2.3500	2.6540
Euro	2.8448	3.6158
SDR	3.4230	4.1080
Yen	0.0212	0.0259

The Special Drawing Right (SDR) is an accounting unit used by the International Monetary Fund (IMF) whose rate is indexed to a basket of currencies that are freely used in international transactions, currently, the euro (EUR), the Japanese yen (JPY), the pound sterling (GBP), and the United States dollar (USD).

3.4 – Derivatives

The derivatives are recognized, since trade date, at their fair values, which are obtained through active market quotations, recent trades or via pricing models.

The derivatives are shown as assets when their fair values are positive or as liabilities when their fair values are negative. All gains and losses are taken through the profit and loss account **(note 8)**.

3.5 – Recognition of income and expenses

Interest income and expenses are recognized by using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts of a financial asset or financial liability to its carrying amount. The calculation considers all relevant amounts paid or received between the parties involved, such as fees, commissions, discounts or premiums.

Income and expenses arising from changes in estimates are taken through the profit and loss account in the financial year of their occurrence, while changes in accounting policies are recognized in equity.

3.6 – Financial assets

The Bank's financial assets are recognized at their fair values at the time they are traded, i.e., on the date the entity firmly commits itself to the sale or purchase of the instrument. At that time, these assets are classified into one of the following categories: Fair Value through Profit and Loss, Available-for-Sale, Held-to-Maturity or Loans and Receivables. After initial recognition, assets are valued in accordance with the chosen category:

a) Fair Value through Profit and Loss
A financial asset is classified into this category when there is the management's intention to trade it in the short-term. Assets in this category are valued at their market value having gains and losses resulting

from mark-to-market adjustments taken to the profit and loss account at the moment they occur. The Bank holds securities acquired abroad **(note 6.1)** and all derivatives in this category **(note 8)**.

b) Available-for-sale

This category includes the financial assets that the Bank's Management does not expect to sell in a foreseeable term. These assets are marked-to-market having gains and losses in relation to market variations taken to an equity account. The variations will only be taken to profit and loss when assets are realised (sold). However, interest expenses and income, which are calculated via the internal rate of return method, shall be taken to the profit and loss account on an accrual basis. The Bank classifies in this category the (i) Brazilian federal government debt securities acquired for the purpose of carrying out the monetary policy **(note 6.2)**, (ii) investments in international financial agencies **(note 7)**, and (iii) inventory of gold held as an international reserve **(note 5)**.

c) Held-to-maturity

This category includes non-derivative financial assets for which the Bank has the intent and the ability to hold until maturity. These assets are valued at amortized cost. In this category the Bank classifies the Brazilian federal government debt securities that are non-negotiable **(note 6.2)**.

d) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are valued at amortized cost. In this category the Bank classifies its loans to financial institutions **(note 10.1)**.

3.7 – The offsetting of asset and liability balances

Financial assets and liabilities are shown in the financial statements at their net value when there are both the intention and the legal possibility to offset positive and negative balances in the execution of receipts and payments.

3.8 – Commitments under agreements

The Bank enters into contracts in which its assets are committed to transactions occurring at a specified date and price in the future, namely repurchase agreements, reverse repos and FX swaps **(note 4)**.

In transactions with securities, assets sold under a commitment to repurchase are reclassified as "Securities Committed to Repurchase Agreements" **(note 6)**, and concomitantly a liability is recognized for the obligation to repurchase the asset. In reverse repo transactions a right to receive an amount equal to the settlement price is recognized while the securities are recorded in off-balance sheet accounts.

The securities of the Bank's own portfolio delivered to counterparties under securities lending agreements are accounted for in the same manner as for "repurchase agreements".

As for the transactions with foreign currencies, assets sold under a commitment to repurchase are derecognized from assets, and foreign currencies purchased with a commitment to resell are recognized as cash-equivalent assets.

The difference between sale and repurchase prices or the difference between purchase and resale prices is recognized as interest income on an accrual basis.

3.9 – Impairment for losses in financial assets

The Bank assesses, at least half-yearly, if there is evidence of impairment of any of its financial assets.

The Bank only examines objective evidence of impairment for events occurring after the initial recognition of financial assets that have an impact on the estimated future cash flows and provided that this impact can be reliably estimated. The Bank considers the following events:

a) Financial difficulties of the issuer or obligor;
b) The occurrence of default in any payments, whether related to principal or interest;
c) Legal determination for a renegotiation, discounting procedure or partial loss;
d) Extrajudicial liquidation, bankruptcy or any type of financial reorganization;
e) The disappearance of an active market for the specific asset under assessment.

In the existence of objective evidence of impairment losses in assets carried at amortized cost, the amount of the loss is measured as the difference between the carrying amount and the expected realization value of the asset. The carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in profit and loss.

In the event that an asset is considered uncollectible, its value is written-off directly against the respective allowance account. Occasionally, if any portion of the asset is collected, the respective amount is recognized as a gain.

If a change in the receiving conditions of the asset occurs in a subsequent period, which leads to a reversal of a provision previously recorded, the amount of the reversal is recognized as a gain.

The most significant assets that fit this condition are credits against financial institutions under extrajudicial liquidation, the allowances for which are recorded based on the difference between the carrying amount of the asset compared to the total value of the assets of the institution under liquidation, valued at their market value, whenever possible, considering the Bank's relative position in the order of "preferential payments" according to the legislation (**note 10.1**).

3.10 – Property, plant and equipment

This account records land, buildings and equipment acquired for use in operations and which are recorded at their historical cost less accumulated depreciation **(note 11)**. The historical cost includes all expenses directly attributable to the acquisition or construction of the asset. Further expenditures are included in the cost only if an additional measurable financial flow is likely to occur in relation to that asset. Maintenance and repair expenses related to the asset are charged to an expense account.

The land and the works of art held by the Bank are not subject to depreciation. All other assets are depreciated on a straight-line basis considering the following useful lives of assets in years:

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

3.11 – Provisions

The Bank recognizes a provision in relation to lawsuits whenever it is likely that an outflow of economic resources will be necessary to settle the obligation and a reliable estimate of such amount can be made. Whenever it is possible but not probable that an outflow of economic resources will be necessary to settle the obligation, this gives rise to a contingent liability, and thus no provision is recognized **(note 19)**.

3.12 – Employee benefits

a) Post-retirement and pension benefits

The Bank's employees are subject to Law 8,112, a federal law that regulates the relationship between the State and its civil servants. On account of the aforementioned law and complementary legal determinations there are two types of post-employment benefits offered by the Bank to its employees.

The benefits granted until December 31, 1990 are defined benefits paid by *Centrus – Fundação Banco Central de Previdência Privada* (the Bank's pension plan) which are funded with contributions by the Bank and by the beneficiaries. The contribution is based upon actuarial calculations and the Bank is held responsible for any actuarial deficits.

The benefits of employees retired after December 31, 1990 are paid directly by the Bank and are charged to an expense account, with no intermediation of the pension plan.

Thus the value shown as actuarial liability refers to the Bank's share in the benefits granted until December 31, 1990 **(notes 18 and 37.3)**.

b) Healthcare benefits

The Bank provides healthcare benefits, which cover medical fees, dental and psychological care expenses, to its staff, to its retired employees, to their families and to pensioners.

The funding of these costs is done partly by the Bank and partly by its employees. The Bank's contributions are charged to an expense account each month.

3.13 – Loans Payable and Debt Securities

Loans and debt securities are recognized at their fair value, i.e., the amount received less transaction costs. Subsequently, they are measured at amortized cost using the internal rate of return methodology. If the Bank decides to repay or redeem its liabilities in advance, they would no longer figure in the financial statements.

3.14 – Tax immunity

According to the Brazilian Federal Constitution, the Bank is entitled to tax immunity in relation to its property and income, in the exercise of its normal activities, but is otherwise obliged to withhold tax from services rendered by third parties and is subject to paying taxes of other natures.

3.15 – Impact arising from changes in accounting procedures

The main changes that occurred in 2004 were:

a) Revision of the classification of financial assets according to their characteristics and management's intention. The resulting classification for the main items recognized in assets is the following:

Asset	Category
Foreign currency debt securities	Fair Value through Profit and Loss
Foreign currency deposits	Loans and Receivables
Shares and quotas of international financial organizations	Available-for-sale
Gold	Available-for-sale
Loans and Receivables	Loans and Receivables
Federal Government debt securities	Available-for-sale / Held to Maturity
Derivatives	Fair Value through Profit and Loss

b) The Bank began using trade date accounting for every transaction. As regards assets carried at fair value, adjustments are recognized since the trade date of purchase transaction until the trade date of the sale transaction.

c) Use of the closing exchange rate for all operations for which there is no specific contractual determination to the contrary.

d) Financial assets and liabilities are shown in the balance sheet at their net value as long as there are both the intention to offset and the legal possibility of offsetting positive and negative balances.

e) The Bank started to recognize its buildings using the amortized acquisition cost methodology, but with respect to buildings already in the Bank's portfolio the amortized cost is the value resulting from the last revaluation of assets.

During 2005, the Bank also put into practice other changes in its accounting procedures, charging the results to equity accounts, as follows **(note 22)**:

a) The methodology for the calculation of provisions in relation to lawsuits has been altered to consider present value adjustments and recording only whenever the possibility of an outflow of economic resources for the settlement of legal dispute is more than likely to occur **(note 19)**.

b) Trade date accounting started to be used for the recording of commitments under agreements with currencies (FX swaps) with results being recognized on an accrual basis **(note 4)**.

4 – COMMITMENTS UNDER AGREEMENTS

Sales of assets under repurchase agreements (repo) are normally short-term trades in which the Bank sells financial instruments and agree to repurchase, on a future date, those assets at a price which corresponds to the proceeds received upon settlement with accrued interest on principal.

In reverse transactions (reverse repo) the Bank purchases financial instruments and assumes the obligation to resell them on a future date **(note 3.8)**.

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

5 – GOLD

The Bank keeps a certain amount of gold defined by the Board of Directors as part of the country's international reserves, amounting to 1,080,231.53 fine troy ounces, as of June 30, 2005, (1,080,070.47 fine troy ounces, as of December 31, 2004). This gold is considered a financial monetary asset, since it is part of the country's international reserves, and in view of the fact that there is no intention of profiting in the short-run, the asset is classified in the Available-for-sale category **(note 3.6)**. Due to this classification, those assets are measured at their market value in dollars and the resulting adjustments are taken to an equity account **(note 22)**.

	Jun 30 2005	Dec 31 2004
Cost	756,309	811,106
Mark-to-market Adjustments (MTM)	391,313	457,568
Carrying Amount	1,147,622	1,268,674

6 – DEBT SECURITIES

6.1 – Securities denominated in foreign currencies

	Jun 30 2005	Dec 31 2004
Non-committed Securities	**86,677,435**	**78,384,445**
1month	2,850,243	1,060,903
1 to 6 months	763,178	529,751
6 to 12 months	2,399,036	2,299,822
1 to 5 years	79,732,470	74,493,969
More than 5 years	932,508	-
TOTAL	**86,677,435**	**78,384,445**

The table above refers to prefixed rate debt securities issued by both sovereign national treasuries and governmental agencies that are purchased under a policy of diversification **(notes 32 to 36)**. The portfolio is part of the country's international reserves and its management aims (i) to diversify investments and risks, (ii) to enhance profitability and (iii) to keep different levels of liquidity. These securities are classified in the "Fair Value through profit and Loss" category **(note 3.6)**. The table below shows the cost value and the carrying amount of these assets, after mark-to-market adjustments.

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

	Jun 30 2005	Dec 31 2004
Cost	86,525,838	78,173,220
Mark-to-market Adjustments (MTM)	151,597	211,225
Carrying Amount	86,677,435	78,384,445

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

6.2 – Federal government debt securities

As at Jun 30 2005

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Non-committed Securities	**28,538,328**	**44,884,350**	**77,441,182**	**115,284,342**	**2,032,697**	**268,180,899**
LTN	28,527,395	13,532,297	30,361,278	35,924,236	-	108,345,206
LFT	-	24,779,869	41,254,777	45,729,498	-	111,764,144
LFT-B	10,933	43,723	121,026	110,182	-	285,864
NTN-B	-	-	-	8,699,602	-	8,699,602
NTN-D	-	6,528,461	5,704,101	22,217,659	-	34,450,221
NTN-F	-	-	-	2,603,165	-	2,603,165
NTN-P	-	-	-	-	6,234	6,234
CVS	-	-	-	-	2,026,463	2,026,463
Securities linked to Lending Programs	**-**	**-**	**201,697**	**-**	**-**	**201,697**
LTN	-	-	201,697	-	-	201,697
Committed Securities	**-**	**3,741,366**	**22,346,272**	**20,040,864**	**-**	**46,128,502**
LTN	-	-	20,995,948	8,325,810	-	29,321,758
LFT	-	3,741,366	1,350,324	11,715,054	-	16,806,744
Securities granted as collateral	**-**	**-**	**2,472,618**	**-**	**-**	**2,472,618**
LFT	-	-	2,472,618	-	-	2,472,618
TOTAL	**28,538,328**	**48,625,716**	**102,461,769**	**135,325,206**	**4,059,160**	**316,983,716**

As at Dec 31 2004

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Non-committed Securities	**38,586,901**	**28,938,929**	**64,681,040**	**103,908,263**	**498,966**	**236,614,099**
LTN	33,079,654	11,002,366	30,957,737	10,903,036	-	85,942,793
LFT	-	10,818,888	25,937,236	49,314,141	-	86,070,265
LFT-B	352,742	807,729	40,120	221,867	-	1,422,458
NTN-B	-	-	-	8,617,897	-	8,617,897
NTN-D	5,145,160	6,253,876	7,689,877	32,501,818	-	51,590,731
NTN-F	-	-	-	1,788,804	-	1,788,804
NTN-P	-	-	-	-	5,970	5,970
CVS	9,345	56,070	56,070	560,700	492,996	1,175,181
Committed Securities	**-**	**14,345,998**	**7,589,312**	**41,276,612**	**-**	**63,211,922**
LTN	-	14,301,018	7,589,312	17,587,106	-	39,477,436
LFT	-	44,980	-	23,689,506	-	23,734,486
Securities granted as collateral	**-**	**2,309,258**	**231,745**	**3,680,841**	**-**	**6,221,844**
LFT	-	2,309,258	231,745	3,680,841	-	6,221,844
TOTAL	**38,586,901**	**45,594,185**	**72,502,097**	**148,865,716**	**498,966**	**306,047,865**

The securities issued by the Brazilian National Treasury and kept in the Bank's portfolio are:

a. National Treasury Bills - LTN: prefixed yield defined by a discount on the purchase price;

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

c. National Treasury Notes Series B - NTN-B: variable yield defined by the Amplified National Consumer Price Index - IPCA, with interest paid half-yearly;

d. National Treasury Notes Series D - NTN-D: adjusted by the selling rate of the United States dollar plus interest, which is payable half-yearly;

e. National Treasury Notes Series F - NTN-F: yield defined by a discount on the purchase price, and interest paid half-yearly;

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

g. Securitised Credits - CVS: divided into CVSA, CVSB, CVSC and CVSD; where CVSA and CVSC are adjusted by TR plus 6.17% p.a., and CVSB and CVSD are adjusted by TR + 3.12% p.a., capitalised on a monthly basis, with interest paid on a monthly basis as from January 1, 2005. Amortization will start, on a monthly basis, on January 1, 2009, with final maturity on January 1, 2027.

The above securities are classified as Available-for-sale with the exception of the NTN-P portfolio, which is classified as Held-to-maturity **(note 3.6)**. The following table shows the cost and the carrying amount of the assets, after mark-to-market adjustments.

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

	Jun 30 2005			Dec 31 2004		
	Cost	Mark to Market Adjustment	Carrying Amount	Cost	Mark to Market Adjustment(*)	Carrying Amount
Available-for-Sale	**315,262,915**	**1,714,567**	**316,977,482**	**301,731,328**	**4,310,565**	**306,041,895**
LTN	137,946,071	(77,411)	137,868,660	126,146,890	(726,662)	125,420,229
LFT	130,231,829	811,678	131,043,507	115,052,823	973,771	116,026,595
LFT-B	280,852	5,011	285,863	1,407,134	15,324	1,422,458
NTN-B	8,883,331	(183,729)	8,699,602	8,398,618	219,279	8,617,897
NTN-D	31,439,417	3,010,804	34,450,221	46,894,515	4,696,216	51,590,731
NTN-F	2,625,413	(22,248)	2,603,165	1,831,615	(42,811)	1,788,804
CVS	3,856,002	(1,829,538)	2,026,464	1,999,733	(824,552)	1,175,181
Held to Maturity	**6,234**	**-**	**6,234**	**5,970**	**-**	**5,970**
NTN-P	6,234	-	6,234	5,970	-	5,970

(*) The difference in relation to Net Equity was rectified in 2005.

7 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The Bank’s participation in international financial organizations comprises quotas of the International Monetary Fund - IMF, representing 1.5% of the Fund’s total quotas and equity shares of the Bank for International Settlements - BIS, representing 0.72% of the entity’s capital. Neither one of the participations in these investees falls into the definitions of “control” or “significant influence in the administration or in the financial and operating policy decisions”.

	Jun 30 2005	Dec 31 2004
International Monetary Fund - IMF	10,392,676	12,472,208
Bank for International Settlements - BIS	85,159	102,198
Total	**10,477,835**	**12,574,406**

Those assets are classified in the category Available-for-sale **(note 3.6)** and their market value is given by the amount in Brazilian Real of the country’s participation in the entities referred to.

8 – DERIVATIVES

8.1 – Derivatives in foreign currency

In managing the international reserves the Bank uses currency forwards **(note 3.4)**, which are derivative instruments characterised by a contract to trade currencies (purchase and sale) at a predetermined price on a future date. These operations are over-the-counter (OTC) (directly dealt with financial institutions) and are subject to the risk management policy described in **notes 32 to 36**. At the balance sheet date, there were no balances referring to such type of operation.

8.2 – Derivatives in local currency

As an instrument of its monetary and foreign exchange policies the Bank performs swap operations **(note 3.4)** indexed to interest rates and foreign exchange variations in order to provide foreign exchange hedging for financial institutions and other economic agents **(notes 32 to 36)**.

These operations are open contracts in the Futures and Commodities Exchange (BM&F), where in long positions the Bank is on the asset side with respect to interest rates, represented by Interfinancial Deposits (DI), and on the liability side with respect to exchange rate variation plus interest rate, represented by an exchange rate coupon. Conversely, in positions where the Bank is short, it is on the asset side in exchange rate variations plus exchange rate coupon, and on the liability side in interest rates (DI).

The Bank trades three kinds of contracts:

- SCC, with daily financial adjustments and a contractual value of US$50 thousand;
- SC2, with a settlement date financial adjustment and a contractual value of US$1 thousand;
- SC3, with daily financial adjustments and a contractual value of US$1 thousand.

The following tables show the notional and fair values of those trades by type of operation and by maturity.

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

As at Jun 30 2005

		Fair Value	
	Notional Value	**Asset**	**Liability**
Derivatives denominated in local currency			
- SWAP Operations - Adjustments at maturity	**(1,821,012)**	**419,686**	**(2,066)**
Long position - in dollar	**(1,821,012)**	**419,686**	**(2,066)**
1 month	-	-	-
1 to 6 months	(1,013,727)	327,026	-
6 - 12 months	(38,763)	7,026	-
1 to 5 years	(768,522)	85,634	(2,066)
Short position - in dollar	-	-	-
1 month	-	-	-
1 to 6 months	-	-	-
6 - 12 months	-	-	-
1 to 5 years	-	-	-
- SWAP Operations - Daily adjustments	**(4,208,857)**	**93,965**	**(65,501)**
Long position - in dollar	**(12,485,203)**	**93,965**	-
1 month	(270,296)	1,189	-
1 to 6 months	(574,551)	4,598	-
6 - 12 months	(585,684)	4,746	-
1 to 5 years	(11,054,672)	83,432	-
Short position - in dollar	**8,276,346**	-	**(65,501)**
1 month	237,978	-	(540)
1 to 6 months	6,816,160	-	(54,595)
6 - 12 months	-	-	-
1 to 5 years	1,222,208	-	(10,366)
TOTAL	**(6,029,869)**	**513,651**	**(67,567)**

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

As at Dec 31 2004

		Fair Value	
	Notional Value	Asset	Liability
Derivatives denominated in local currency			
- SWAP Operations - Adjustments at maturity	**(2,309,596)**	**110,840**	**75,600**
Long position - in dollar	**(2,309,596)**	**110,840**	**75,600**
1 month	(131,577)	-	497
1 to 6 months	(121,787)	14,260	262
6 - 12 months	(1,144,670)	95,830	812
1 to 5 years	(911,562)	750	74,029
Short position - in dollar	-	-	-
1 month	-	-	-
1 to 6 months	-	-	-
6 - 12 months	-	-	-
1 to 5 years	-	-	-
- SWAP Operations - Daily adjustments	**(38,169,220)**	**285,029**	-
Long position - in dollar	**(38,169,220)**	**285,029**	-
1 month	(9,103,175)	70,844	-
1 to 6 months	(5,284,353)	41,969	-
6 - 12 months	(11,433,161)	53,293	-
1 to 5 years	(12,348,531)	118,923	-
Short position - in dollar	-	-	-
1 month	-	-	-
1 to 6 months	-	-	-
6 - 12 months	-	-	-
1 to 5 years	-	-	-
TOTAL	**(40,478,816)**	**395,869**	**75,600**

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

9 – PAYABLES TO GOVERNMENT (note 37.1)

	Asset	
	Jun 30 2005	Dec 31 2004
Fund for Compensation of Variations in Salaries (FCVS)	84,535	1,145,423
Result to be covered by the National Treasury	11,887,500	255,096
National Treasury Operating Account - Remuneration to be transferred	-	213,189
Settlement of Accounts under Provisional Measure 45	230,705	278,285
Other	3	7
Total	**12,202,743**	**1,892,000**

	Liability	
	Jun 30 2005	Dec 31 2004
National Treasury Operating Account	215,211,551	158,231,716
Other	683,255	586,666
Total	**215,894,806**	**158,818,382**

The Fund for Compensation of Variations in Salaries (FCVS) was created with the purpose of guaranteeing coverage of possible outstanding residual balances of real estate financing contracts, whose payment is the responsibility of the National Treasury. The settlement of these credits will be made by novation via the issuing of Brazilian National Treasury debt securities, CVS, whose characteristics are described in **note 6.2**. In view of the characteristics of the current credit and of the securities to be received in the novation procedure, these assets are classified as Available-for-sale **(note 3.6)**. The variation in the account refers to the novation procedure occurring during the semester.

The balance shown as "Settlement of accounts under Provisional Measure 45" refers to amounts to be received by the Bank, which were due from the settlement of accounts between the Federal Government, the Bank and its civil servants, as a result of the transfer of the Bank's employees to the Single Legal Regime (RJU). The change of regime eventually led to a review of payments and contributions amongst the parts involved.

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

10 –RECEIVABLES

	Jun 30 2005		Dec 31 2004	
	Credit	Provision	Credit	Provision
Institutions under Liquidation	**22,865,379**	**(5,078,378)**	**22,570,698**	**(4,751,948)**
Banco Nacional - Extrajudicial Liquidation	13,325,130	(3,799,763)	13,153,642	(3,316,961)
Banco Econômico - Extrajudicial Liquidation	5,399,249	-	5,329,763	-
Banco Bamerindus - Extrajudicial Liquidation	2,678,858	(366,511)	2,644,383	(535,370)
Banco Pontual - Extrajudicial Liquidation	621,377	(621,377)	613,380	(613,380)
Banco Mercantil - Extrajudicial Liquidation	201,279	-	198,689	-
Banco Banorte - Extrajudicial Liquidation	611,981	(263,228)	604,105	(259,501)
Other	27,505	(27,499)	26,736	(26,736)
Other Credits	**2,277,635**	**(257,900)**	**2,260,953**	**(246,129)**
Centrus	1,942,421	-	1,990,689	-
Other	335,214	(257,900)	270,264	(246,129)
TOTAL	**25,143,014**	**(5,336,278)**	**24,831,651**	**(4,998,077)**

10.1 – Receivables from financial institutions under liquidation

The receivables from institutions under extrajudicial liquidation stem either from financial assistance given to banks; or from negative account balances (overdrafts) in the reserve account or from advances given to institutions during the extrajudicial liquidation process. From the liquidation date onwards, the loans, which originally bore specific contractual interest rates, became indexed by the Referential Rate (TR).

The cash flow estimates of the receivables referred to above, and, consequently, the provisioning policy related to them **(note 3.9)**, consider the debtor's remaining assets and the seniority according to legislation of one creditor over another (priority of lien), as follows:

- 1st – administrative costs incurred by the debtor during the liquidation process;
- 2nd – wage claims;
- 3rd – tax claims;
- 4th – claims having priority under federal law, e.g. the Bank's claims;
- 5th – general claims (unprivileged creditors).

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

10.2 – Receivable from Centrus

This amount results from contributions to Fundação Banco Central de Previdência Privada (Centrus) made by the Bank until December 31, 1990 with respect to those employees that were included in RJU **(note 37.3)**. The funds are adjusted by the average yield rate of the assets of Centrus, which during the first semester of 2005 was 2.97% (12.95% in the first semester of 2004) and are being repaid to the Bank in monthly instalments, each one equal to the amount of expenses incurred by the Bank with retired employees under RJU.

11 – PROPERTY, PLANT AND EQUIPMENT (note 3.10)

As at Jun 30 2005

	Property	Equipement	Artwork and Museum Collection	Total
Balance as at Dec 31 2004	**643,512**	**85,483**	**30,097**	**759,092**
Cost	656,587	179,189	30,097	865,873
Accumulated depreciation	(13,075)	(93,706)	-	(106,781)
Changes during the period	**2,000**	**9,680**	**-**	**11,680**
Acquisitions/Constructions	6,782	19,344	-	26,126
Sales/Derecognitions	-	(11)	-	(11)
Depreciation	(4,782)	(9,653)	-	(14,435)
Balance as at Jun 30 2005	**645,512**	**95,163**	**30,097**	**770,772**

As at Dec 31 2004

	Property	Equipement	Artwork and Museum Collection	Total
Balance as at Jun 30 2004	**692,270**	**60,155**	**30,094**	**782,519**
Cost	703,800	145,828	30,094	879,722
Accumulated depreciation	(8,391)	(85,673)	-	(94,064)
Allowance for losses	(3,139)	-	-	(3,139)
Changes during the period	**(48,758)**	**25,328**	**2**	**(23,428)**
Acquisitions/Constructions	6,811	34,711	2	41,524
Sales/Derecognitions	-	(1,233)	-	(1,233)
Depreciation	(4,838)	(8,150)	-	(12,988)
Transfers	(50,731)	-	-	(50,731)
Balance as at Dec 31 2004	**643,512**	**85,483**	**30,096**	**759,091**

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

12 – OTHER ASSETS

	Jun 30 2005	Dec 31 2004
Assets in Local Currency		
Gold and other metals in various forms	38,482	38,482
Property	52,974	52,974
Salary Advances	36,063	7,213
Other	7,728	10,324
Total	**135,247**	**108,993**

13 – ITEMS IN THE COURSE OF COLLECTION

This amount refers to balances of spot transactions still to be settled as at the report date, the settlement of which will occur in two or three days, e.g. purchase and sale of securities, and placements and withdrawals of deposits.

14 – LOAN PAYABLES

The balances shown in "Loan Payables" comprise the following.

	Jun 30 2005	Dec 31 2004
Financial Assistance Program of IMF	49,026,639	66,711,233
Other	2,100,156	2,637,971
TOTAL	**51,126,795**	**69,349,204**

The Standby Arrangement with the International Monetary Fund – IMF expired on March 31, 2005. The agreement provided Brazil with a line of credit of SDR27,375,120 thousand, of which the amount of SDR17,199,638 thousand was effectively withdrawn. The amount shown as at June 30, 2005 also includes outstanding balances originating in previous arrangements as well as interest accrued until then.

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

The following table shows the relation between the agreed upon value and the portion withdrawn under each arrangement.

As at Jun 30 2005

Type	Date of Arangement	Expiration date or cancellation date	Agreed upon Value	Withdrawn value
Stand-By Arrangement	Sept., 2002	Mar., 2005	93,705,994	58,874,963
Stand-By Arrangement	Sept., 2001	Sept., 2002	41,570,706	38,972,534
Stand-By Arrangement	Dec., 1998	Sept., 2001	44,584,346	32,418,709

The following table specifies the payment schedule with reference to withdrawals and accrued interest.

As at Jun 30 2005

2005	9,491,236
2006	19,399,756
2007	20,135,647
TOTAL	49,026,639

On July 22, 2005, the Bank paid in advance SDR 3,424,494 thousand (R$11,841,557, using the exchange rate of the payment date), which refers to part of the repayments due during 2005 and 2006.

The applicable interest rates are arrangement-specific and range from a basic rate (3.74% p.a., as at June 30, 2005) to the basic rate plus up to 500 basis points.

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

15 – DEPOSITS

	Jun 30 2005	Dec 31 2004
Deposits of International Financial Organizations	10,624,996	12,756,944
Deposits linked to the Exchange Market	114,435	1,155,007
TOTAL	**10,739,431**	**13,911,951**

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

The deposits indexed to the exchange market consist of demand deposits that financial institutions are subject to, corresponding to the amount in excess of the authorized limit for long positions in foreign currencies.

16 - DEPOSITS OF FINANCIAL INSTITUTIONS

The deposits of financial institutions at the Bank comprise mainly legal reserve deposits required to limit their ability to lend.

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

	Jun 30 2005	Dec 31 2004
Demand Deposits	24,563,135	26,797,042
Savings Deposits	31,825,189	31,500,720
Additional Requirements	34,667,965	32,502,364
Other	1,259,718	2,071,629
TOTAL	**92,316,007**	**92,871,755**

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

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

a) Demand deposits – 45% of demand deposits must be maintained at the Bank in a non-interest bearing account;
b) Savings deposits – 20% of savings account deposits must be maintained at the Bank in an interest-bearing account (TR+6.17% p.a. for free savings, retirement-earmarked savings and rural savings categories and TR+3% p.a. for earmarked savings);
c) Additional requirements - additional reserve requirements on the total demand deposits (8%), term deposits (8%) and savings deposits (10%). A deduction of R$100,000 is applied to the amount thus calculated and the resulting balance, which bears SELIC interest rate, is to be deposited at the Bank.

17 – OWN ISSUE DEBT SECURITIES

In the execution of its monetary and exchange policies **(notes 32 to 36)**, the Bank also uses own issued securities, Central Bank Notes, Special Series - NBC-E, which are updated by the ask rate of the United States dollar, with semi-annual interest payouts. Since May 5, 2002, in compliance with the Law of Fiscal Responsibility, the Bank ceased to issue securities. The balances of the NBC-E, broken down by maturity, as at the balance sheet date are:

	Jun 30 2005	**Dec 31 2004**
1 to 6 months	5,159,358	4,101
6 to 12 months	10,323	5,834,022
1 to 5 years	6,831,002	7,730,539
Total	**12,000,683**	**13,568,662**

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

18 – ACTUARIAL LIABILITIES

The Bank offers two types of post-employment benefits, one regarding benefits granted until December 31, 1990, funded by contributions to Centrus, and another one regarding benefits granted after 1990, for which the Bank is directly responsible **(note 3.12)**.

The liability amount recorded in this account refers to **(note 37.3)**:

a) The mathematical reserves concerning benefits granted until 1990, contractually recognized as a debt by the Bank. This amount is being updated by the General Market Price Index – IGP-M plus 6% interest p.a. and is being paid in consecutive annual instalments of at least one tenth of the updated original balance.

b) The present value of the employer's future contributions related to the benefits referred to above. The following assumptions were used for the calculation of the present value of the future contributions:

▪ Interest rate	6% p.a.
▪ Rate of contribution for retired employees	7.5% p.m.
▪ Rate of contribution for the sponsor	7.5% p.m.
▪ Actuarial tables	AT-2000, *experiência ex-IAPC*, Álvaro Vindas
▪ Number of retired employees	1,053

19 – PROVISIONS

As at July 30, 2005, the Bank was one of the parties to 33,447 lawsuits referring to various subjects, amongst which are economic plans, employment relationships, privatization procedures and liquidation procedures of financial institutions.

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

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

A provision is recognized whenever the probability that the event will occur is greater than the probability that it will not, i.e., whenever the probability for the risk of loss is considered more than 50%. The amount provisioned consists of 100% of the values under judgment as well as estimated attorney fees to be born by the loser of the judicial dispute. The changes in the provision during the period are presented in the following table:

	Jun 30 2005	Dec 31 2004
Opening balance	**2,627,169**	**2,323,567**
Provision	2,809,530	2,505,928
Present value adjustment	-	-
Legal deposits	(182,361)	(182,361)
Changes	**(1,897,023)**	**303,602**
Constitution	1,440,555	224,516
Reversal	(2,809,530)	-
Monetary update	-	94,647
Derecognition	-	(15,561)
Present value adjustment	(528,048)	-
Closing balance	**730,146**	**2,627,169**

During 2005, the adjustments in the provisions account were charged against the "Effects of Changes in Accounting Practices" – an equity account –due to the change the methodology applied.

The lawsuits in which the Bank considered the possibility of loss to be less than probable and more than remote were considered contingent liabilities and, thus, were not provisioned for. As of June 30, 2005 there were 675 lawsuits fitting that description, amounting to R$7,364,343.

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

In view of the average term for the settlement of disputes, the amounts of provisions were adjusted to their present value via the application of a discount rate, which equals that of assets that bear similar maturity and characteristics.

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

	As at Jun 30 2005		
	Provision	Present Value Adjustment	Adjusted Value
2005	37,029	(1,284)	35,745
2006	173,032	(14,834)	158,198
2007	301,996	(52,651)	249,345
2008	44,564	(11,690)	32,874
2009	59,943	(15,586)	44,357
2010	167,386	(54,513)	112,873
2011	5,910	(1,834)	4,076
2012	98,550	(43,192)	55,358
2013	1,154	(217)	937
2014	90,577	(49,416)	41,161
2015	276,972	(162,877)	114,095
2016	6,273	(1,671)	4,602
2017	4,677	(2,953)	1,724
2018	140,607	(92,386)	48,221
2019	16,184	(11,410)	4,774
2020	8,362	(5,975)	2,387
2022	7,339	(5,559)	1,780
Total	**1,440,555**	**(528,048)**	**912,507**

20 – OTHER LIABILITIES

	Jun 30 2005	Dec 31 2004
In Foregin Currency	**70,777**	**76,804**
Discrepancy in CCR transactions	67,726	75,304
Other	3,051	1,500
In Local Currency	**384,422**	**376,663**
Court-order-debts payable	228,857	248,762
Salaries payable	107,591	38,456
Amounts to be classified - Centrus	-	30,114
Other	47,974	59,331
Total	**455,199**	**453,467**

20.1 – Discrepancies in CCR transactions

This amount refers to operations that run through the Reciprocal Payment Netting Agreement (CCR) between the Bank and the Central Bank of Uruguay and which are under litigation.

20.2 – Court order debts payable

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

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

Under Article 27 of Bill 4/2005 (Budget Guidelines, LDO 2006), budgetary provisions passed by the annual budget law to cover payments of debts resulting from court decisions beyond appeal would be totally decentralized to the courts. These courts would apply for the funds and would be responsible for making the corresponding payments directly to the prevailing party. As a result, budgetary and financial resources no longer flow through the Bank (the debtor entity). The existing balance at June 30, 2005 refers to court order debts to be paid from 2006 onwards, which are to be derecognized as soon as the bill is approved.

21 – CURRENCY IN CIRCULATION

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

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

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

		Jun 30 2005		Dec 31 2004	
		Quantity	Value	Quantity	Value
Banknotes		**2,776,860,590**	**52,466,882**	**3,144,529,278**	**60,581,116**
	R$1.00	600,617,247	600,617	657,378,228	657,378
	R$2.00	310,110,209	620,221	294,998,030	589,996
	R$5.00	235,502,038	1,177,510	258,637,110	1,293,186
	R$10.00	670,155,732	6,701,557	834,133,226	8,341,332
	R$20.00	187,269,051	3,745,381	209,526,763	4,190,535
	R$50.00	753,980,699	37,699,035	869,538,072	43,476,904
	R$100.00	19,225,614	1,922,561	20,317,849	2,031,785
Coins		**10,256,712,025**	**1,463,456**	**9,871,667,440**	**1,353,822**
	R$0.01	3,147,809,934	31,478	3,127,271,028	31,273
	R$0.05	2,356,567,779	117,828	2,258,176,819	112,909
	R$0.10	2,507,497,736	250,750	2,394,169,133	239,417
	R$0.25	1,001,313,669	250,328	945,798,845	236,450
	R$0.50	860,903,371	430,452	824,957,166	412,479
	R$1.00	382,619,536	382,620	321,294,449	321,294
Commemorative coins		**-**	**702**	**-**	**697**
TOTAL			**53,931,040**		**61,935,635**

As at June 30, 2005, the currency in circulation presented a nominal decrease of 12.92%, as compared to December 31, 2004, which indicates a real reduction of 14.65%, if discounted by the inflation as measured by IGP-M of 1.75%. The main reason for this outcome lies in a seasonal increase in the demand for currency resulting from the economic activity recorded at each year-end, which is reverted during the first quarter of the following year.

22 – NET EQUITY

The Bank's net equity is composed of:

a. Retained Earnings, corresponding to the Bank's accumulated results up to 1987;

b. Income Reserve, constituted for the purpose of reducing redemption of securities in the Bank's portfolio and, thus, for maintaining adequate conditions to execute the monetary policy;

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

c. Revaluation Reserve, resulting from revaluation of fixed assets used in business operations, performed until 2004, which are to be realized in accordance with the useful life of the assets **(note 3.10)**;

d. Amounts not taken to Profit and Loss, corresponding to mark-to-market adjustments of financial instruments classified in the category Available-for-sale, as follows:

	Jun 30 2005	Dec 31 2004
Federal Government Debt Securities (*)		
Opening balance	4,308,463	-
Mark-to-market Adjustments	(2,045,397)	4,308,463
Transfers	(870,418)	-
Realization	321,919	-
Closing balance	1,714,567	4,308,463
Gold		
Opening balance	457,569	-
Mark-to-market Adjustments	(14,805)	457,569
Closing balance	442,764	457,569
FCVS		
Opening balance	(808,116)	-
Mark-to-market Adjustments	(127,105)	(808,116)
Transfers	870,418	-
Closing balance	(64,803)	(808,116)
Quotas of International Financial Organizations		
Opening balance	(1,339,166)	-
Mark-to-market Adjustments	(2,096,571)	(1,339,166)
Closing balance	(3,435,737)	(1,339,166)
TOTAL	(1,343,209)	2,618,750

(*) The difference in relation to the table in note 6 was regularized during 2005.

The amount shown under the entry "transfers" refers to mark-to-market adjustments of the credits with the FCVS, which during the semester were subject to novation and were exchanged for CVS debt securities **(note 9)**;

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

e. Effects of changes in accounting procedures – as mentioned in **note 3.15**, in view of the changes occurred in accounting practices, the following adjustments were recognized under this entry:

	Jun 30 2005
Provision for lawsuits losses	1,368,975
Present value adjustments for lawsuits losses	528,048
Foreign currency committments	8,994
TOTAL	1,906,017

23 – NET INTEREST INCOME

	1st Sem 2005	1st Sem 2004
Foreign currency operations		
Interest Income	**2,173,295**	**1,545,640**
Securities	1,186,304	927,672
Deposits	828,474	595,313
Other	158,517	22,655
Interest Expenses	**(1,973,743)**	**(1,772,258)**
Loans	(1,626,916)	(1,695,562)
Other	(346,827)	(76,696)
Net Result	**199,552**	**(226,618)**
Local currency operations		
Interest Income	**24,666,555**	**22,559,932**
Securities	23,966,776	22,027,258
Other	699,779	532,674
Interest Expenses	**(22,345,205)**	**(22,489,815)**
Securities	(761,543)	(1,593,527)
Deposits	(4,291,568)	(3,108,968)
Committments under agreements	(5,575,903)	(6,071,797)
Federal Government	(11,592,393)	(11,624,118)
Other	(123,798)	(91,405)
Net Result	**2,321,350**	**70,117**
Total Interest Income	**26,839,850**	**24,105,572**
Total Income Expenses	**(24,318,948)**	**(24,262,073)**
Total Interest Result	**2,520,902**	**(156,501)**

The interest income represented in the table above includes the amount of R$295,073 (R$176,846, in 2004) recognized under assets that were subject to provision for losses.

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

24 – GAINS AND LOSSES WITH ASSETS HELD FOR TRADING PURPOSES

In 2005, this item includes gains and losses with mark-to-market adjustments of assets in the Fair Value through Profit and Loss category, i.e., derivatives and foreign currency securities operations. As for the 2004 figure, it also includes mark-to-market adjustments of the securities that were classified in the Fair Value through Profit and Loss category **(note 3.15)**.

	1st Sem 2005	1st Sem 2004
Foreign Currency Operations	**(160,715)**	**(705,074)**
Securities	(160,715)	(642,758)
Gold	-	(62,316)
Local Currency Operations	**1,666,844**	**(3,866,522)**
Derivatives	1,666,844	(287,061)
Securities	-	(3,661,350)
FCVS	-	81,889

25 – GAINS AND LOSSES WITH ASSETS HELD FOR INVESTMENT PURPOSES

	1st Sem 2005	1st Sem 2004
Local Currency Operations	**(321,919)**	**-**
Securities	(321,919)	-

This amount originates in the selling of assets classified in the category "Available-for-sale" and the consequent realization of gains and losses with mark-to-market adjustments **(note 3.6)**.

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

26 – GAINS AND LOSSES WITH FOREIGN CURRENCY OPERATIONS AND WITH FOREIGN CURRENCY-LINKED OPERATIONS

This item refers to the foreign exchange variations of (i) assets and liabilities denominated in foreign currency and (ii) of assets and liabilities in local currency but linked to foreign exchange variations **(note 3.3)**.

	1st Sem 2005	1st Sem 2004
Foreign Currency Operations	**(12,347,108)**	**4,361,479**
Securities	(12,696,428)	4,907,531
Deposits	(9,824,849)	3,518,336
Loans	10,440,475	(5,027,208)
Other	(266,306)	962,820
Local Currency Operations	**(2,489,100)**	**2,079,524**
Federal Government debt securities	(4,135,474)	3,966,866
Own Issue debt securities	1,568,063	(1,912,118)
Other	78,311	24,776

27 – NET ALLOWANCES (Note 3.9)

	1st Sem 2005	1st Sem 2004
Credits against financial institutions	(336,038)	1,340,445
Credits originating from foreign currency transactions	2,597	(4,050)
Other	(2,162)	(197)
Total	**(335,603)**	**1,336,198**

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

28– OTHER INCOME AND EXPENSES

	1st Sem 2005	1st Sem 2004
Other Income	**642,921**	**732,156**
Fines	30,481	31,169
Transfer under Budget Law by the National Treasury	320,816	279,558
Court-order debts	38,365	107,324
Contribution refunding from Centrus	112,659	217,073
Fees	115,620	36,669
Other	24,980	60,363
Other Expenses	**(792,775)**	**(985,560)**
Personnel	(571,985)	(444,680)
Cost of production and distribution of banknotes and coins	(122,552)	(132,109)
Derecognition of uncollectible assets	(199)	(210,254)
Provision for lawsuit losses	-	(78,438)
Other	(98,039)	(120,079)

In 2005, the adjustments in the provisions account referring to lawsuits **(note 19)** were charged against an equity account, "Effects of Changes in Accounting Practices" **(note 22)**.

29 – NET INCOME

In the first semester of 2005, the result was negative by R$11,616,553 and was due, in the most part, to the appreciation of the local currency against the major foreign currencies, since the amount of assets which are pegged to foreign exchange indices is superior to the liabilities of the same nature **(notes 26 and 34.2)**.

After the realization of reserves, the result is a credit to the Bank against the National Treasury, which must be covered not later than the tenth business day of 2006 **(note 37.1)**.

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

	1st Sem 2005	1st Sem 2004
Net Income	(11,616,553)	2,795,700
Realization of Reserves	3,142	9,866
Constitution of Reserves	-	(349,462)
Adjustments of previous periods	(2,002)	-
Amount to be covered / transferred to the National Treasury	**(11,615,413)**	**2,456,104**

30 – STATEMENT OF CASH FLOWS

The main purpose of the Statement of Cash Flows is to demonstrate an entity's capacity to generate cash so as to meet its liquidity needs.

In view of the fact that the Bank is the institution that provides liquidity to the financial system and, consequently, has the right to issue, it is understood that the information content of the Statement of Cash Flow should only refer to its foreign currency operations, which are outside the limits of the Bank's prerogative to issue.

31 – CASH AND CASH EQUIVALENTS

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

	Jun 30 2005	Dec 31 2004
Demand Deposits	**1,234,731**	**4,024,892**
Non-committed	250,495	4,007,528
Deposits linked to the administration of the external debt	13,283	17,364
Foreign currency in the course of collection	970,953	-
Short-term deposits	**9,273,678**	**19,822,056**
Total	**10,508,409**	**23,846,948**

The amount shown as "Deposits linked to the external debt management" refers to demand deposits in the BIS serving as collateral for the exchange of the Brazilian external sovereign debt.

32 – RISK MANAGEMENT

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

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

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

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

   In investing the international reserves the Bank aims at achieving liquidity, security and profitability in harmony with its pre-eminent objectives, through the diversification of the financial instruments portfolio it carries.

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

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

Notes 33 to 36 show the main risks to which both portfolios of financial instruments are exposed as well as the Bank's policy of managing those risks.

33 – CREDIT RISK

Credit risk is defined as the possibility of loss related to a counterparty not honouring its debts.

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

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

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

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

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

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

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

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

The amounts of collateral are calculated using stress tests that consider the total possible losses until the settlement of the contracts. The assets accepted as collateral instruments are federal government debt securities, bank guarantees, certificates of deposits, equity securities, gold and cash, among others. The majority of the participants of the clearinghouse, including the Bank, collateralize their trades upon the assignment of federal government debt securities, which, for precautionary reasons, are assessed using a haircut calculation formula.

c) The credit risk that stems from the concentration of investments in geographical areas is presented in the following table:

	Jun 30 2005	**Dec 31 2004**
Brazil	354,185,516	337,905,399
European Economic Community	46,076,175	52,955,551
United States	88,493,839	79,668,654
Japan	2,217,273	102,718
Other	22,270,654	26,273,337
Total	**513,243,457**	**496,905,659**

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

The following table shows the concentration of investments in counterparties:

As at Jun 30 2005

	Financial Institutions	International Organizations	Governmental Organizations	Other	Total
Deposits	59,410,851	1,620,705	257,810	-	61,289,366
Commitments under agreements	3,974,369	-	-	-	3,974,369
in foreign currencies	3,898,868	-	-	-	3,898,868
in local currency	75,501	-	-	-	75,501
Derivatives	513,651	-	-	-	513,651
in foreign currencies	-	-	-	-	-
in local currency	513,651	-	-	-	513,651
Securities	-	704,386	397,420,024	5,536,741	403,661,151
in foreign currencies	-	704,386	80,436,308	5,536,741	86,677,435
in local currency	-	-	316,983,716	-	316,983,716
Credits against the Federal Government	-	-	12,202,743	-	12,202,743
Receivables	-	3,439	115,819	19,722,201	19,841,459
in foreign currencies	-	3,439	31,284	-	34,723
in local currency	-	-	84,535	19,722,201	19,806,736
Investments in international financial organizations	-	10,477,835	-	-	10,477,835
Other	788,451	-	359,171	135,261	1,282,883
Total Assets	**64,687,322**	**12,806,365**	**410,355,567**	**25,394,203**	**513,243,457**

As at Dec 31 2004

	Financial Institutions	International Organizations	Governmental Organizations	Other	Total
Deposits	66,109,633	762,588	282,532	-	67,154,753
Commitments under agreements	8,971,139	129,528	-	-	9,100,667
in foreign currencies	4,813,241	129,528	-	-	4,942,769
in local currency	4,157,898	-	-	-	4,157,898
Derivatives	395,869	-	-	-	395,869
in foreign currencies	-	-	-	-	-
in local currency	395,869	-	-	-	395,869
Securities	-	1,074,603	379,126,319	4,231,388	384,432,310
in foreign currencies	-	1,074,603	73,078,454	4,231,388	78,384,445
in local currency	-	-	306,047,865	-	306,047,865
Credits against the Federal Government	-	-	1,892,000	-	1,892,000
Receivables	-	75,084	1,213,441	18,688,152	19,976,677
in foreign currencies	-	75,084	68,019	-	143,103
in local currency	-	-	1,145,422	18,688,152	19,833,574
Investments in international financial organizations	-	12,574,406	-	-	12,574,406
Other	873,645	72,267	395,053	38,012	1,378,977
Total Assets	**76,350,286**	**14,688,476**	**382,909,345**	**22,957,552**	**496,905,659**

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

34 – MARKET RISK

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

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

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

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

In view of its objectives, the Bank does not actuate so as to mitigate the market risk in the portfolio held to perform the monetary policy.

34.1 – INTEREST RATE RISK

It is defined as the risk resulting from the variations of interest rates, which affect the fair value of prefixed-yield financial instruments and the future cash flow of those paying post fixed yields. The following table shows the Bank's exposure to both types of risk.

	Jun 30 2005		Dec 31 2004	
	Asset	**Liability**	**Asset**	**Liability**
Prefixed	280,854,463	3,982,255	268,731,586	4,902,441
Post fixed	213,095,262	393,561,585	209,696,818	372,934,091
Non interest bearing	19,293,732	54,577,645	18,477,255	47,871,795
Total	**513,243,457**	**452,121,485**	**496,905,659**	**425,708,327**

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

The table below presents the financial instruments of the Bank's portfolio according to their maturity date (prefixed coupon) or according to their repricing date (post fixed coupon).

As at Jun 30 2005

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Non-interest bearing	Total
Assets							
Deposits	39,077,619	14,029,369	-	-	-	8,182,378	61,289,366
Commitments under Agreements	3,974,369	-	-	-	-	-	3,974,369
in foreign currencies	3,898,868	-	-	-	-	-	3,898,868
in local currency	75,501	-	-	-	-	-	75,501
Derivatives	1,189	331,623	11,772	169,067	-	-	513,651
in foreign currencies	-	-	-	-	-	-	-
in local currency	1,189	331,623	11,772	169,067	-	-	513,651
Securities	164,733,471	20,971,045	59,662,059	157,502,942	791,634	-	403,661,151
in foreign currencies	2,850,242	910,287	2,399,036	79,732,470	785,400	-	86,677,435
in local currency	161,883,229	20,060,758	57,263,023	77,770,472	6,234	-	316,983,716
Credits against the Federal Government	12,202,743	-	-	-	-	-	12,202,743
Receivables	19,832,061	-	-	-	-	9,398	19,841,459
in foreign currencies	25,325	-	-	-	-	9,398	34,723
in local currency	19,806,736	-	-	-	-	-	19,806,736
Investments in international financial organizations	-	-	-	-	-	10,477,835	10,477,835
Other	89,428	569,334	-	-	-	624,121	1,282,883
Total Assets (A)	**239,910,880**	**35,901,371**	**59,673,831**	**157,672,009**	**791,634**	**19,293,732**	**513,243,457**
Liabilities							
Itens in the course of collection	-	-	-	-	-	17,869,714	17,869,714
in foreign currencies	-	-	-	-	-	8,029,821	8,029,821
in local currency	-	-	-	-	-	9,839,893	9,839,893
Commitments under Agreements	49,855,368	-	-	-	-	-	49,855,368
in foreign currencies	3,982,255	-	-	-	-	-	3,982,255
in local currency	45,873,113	-	-	-	-	-	45,873,113
Derivatives	540	54,595	-	12,432	-	-	67,567
in foreign currencies	-	-	-	-	-	-	-
in local currency	540	54,595	-	12,432	-	-	67,567
Loan Payables	50,259,474	867,321	-	-	-	-	51,126,795
Deposits	66,734,979	-	-	-	-	36,320,459	103,055,438
in foreign currencies	-	-	-	-	-	10,739,431	10,739,431
in local currency	66,734,979	-	-	-	-	25,581,028	92,316,007
Liabilities to the Federal Government	215,894,806	-	-	-	-	-	215,894,806
Own Issue Debt Securities	-	5,159,358	10,323	6,831,002	-	-	12,000,683
Actuarial Liabilities	1,065,769	-	-	-	-	-	1,065,769
Provisions	730,146	-	-	-	-	-	730,146
Other	67,726	-	-	-	-	387,473	455,199
Total Liabilities (B)	**384,608,808**	**6,081,274**	**10,323**	**6,843,434**	**-**	**54,577,646**	**452,121,485**
Net Position (A - B)	**(144,697,928)**	**29,820,097**	**59,663,508**	**150,828,575**	**791,634**	**(35,283,914)**	**61,121,972**

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

As at Dec 31 2004

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Non-interest bearing	Total
Assets							
Deposits	44,750,024	17,214,415	-	-	-	5,190,314	67,154,753
Commitments under Agreements	6,854,661	2,246,006	-	-	-	-	9,100,667
in foreign currencies	2,696,763	2,246,006	-	-	-	-	4,942,769
in local currency	4,157,898	-	-	-	-	-	4,157,898
Derivatives	70,844	56,229	149,123	119,673	-	-	395,869
in foreign currencies	-	-	-	-	-	-	-
in local currency	70,844	56,229	149,123	119,673	-	-	395,869
Securities	157,909,951	32,185,184	48,536,747	145,794,458	5,970	-	384,432,310
in foreign currencies	1,060,903	627,924	2,299,822	74,395,796	-	-	78,384,445
in local currency	156,849,048	31,557,260	46,236,925	71,398,662	5,970	-	306,047,865
Credits against the Federal Government	1,892,000	-	-	-	-	-	1,892,000
Receivables	19,897,420	-	-	-	-	79,257	19,976,677
in foreign currencies	63,846	-	-	-	-	79,257	143,103
in local currency	19,833,574	-	-	-	-	-	19,833,574
Investments in international financial organizations	-	-	-	-	-	12,574,406	12,574,406
Other	37	745,661	-	-	-	633,279	1,378,977
Total Assets (A)	**231,374,937**	**52,447,495**	**48,685,870**	**145,914,131**	**5,970**	**18,477,256**	**496,905,659**
Liabilities							
Itens in the course of collection	-	-	-	-	-	5,058,335	5,058,335
Commitments under Agreements	65,700,372	2,252,187	-	-	-	-	67,952,559
in foreign currencies	2,650,254	2,252,187	-	-	-	-	4,902,441
in local currency	63,050,118	-	-	-	-	-	63,050,118
Derivatives	497	262	812	74,029	-	-	75,600
in foreign currencies	-	-	-	-	-	-	-
in local currency	497	262	812	74,029	-	-	75,600
Loan Payables	68,188,935	1,157,959	-	-	-	2,310	69,349,204
Deposits	64,350,719	-	-	-	-	42,432,987	106,783,706
in foreign currencies	-	-	-	-	-	13,911,951	13,911,951
in local currency	64,350,719	-	-	-	-	28,521,036	92,871,755
Liabilities to the Federal Government	158,818,382	-	-	-	-	-	158,818,382
Own Issue Debt Securities	-	4,101	5,834,022	7,730,539	-	-	13,568,662
Actuarial Liabilities	1,021,243	-	-	-	-	-	1,021,243
Provisions	2,627,169	-	-	-	-	-	2,627,169
Other	75,304	-	-	-	-	378,163	453,467
Total Liabilities (B)	**360,782,621**	**3,414,509**	**5,834,834**	**7,804,568**	**-**	**47,871,795**	**425,708,327**
Net Position (A - B)	**(129,407,684)**	**49,032,986**	**42,851,036**	**138,109,563**	**5,970**	**(29,394,539)**	**71,197,332**

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

34.2 – EXCHANGE RATE VARIATION RISK

The market risk is defined as the possibility of loss resulting from variations occurring in foreign exchange rates.

The Bank holds assets and liabilities denominated in foreign currency or linked to exchange rate variations. In view of its objectives the institution does not have a policy to mitigate the risk to exchange rate variations. The risk is shown in the table below.

As at Jun 30 2005

	US$	Euro	SDR	Yen	Other	Total
Assets						
Deposits	36,920,260	15,507,142	85,268	8,772,730	3,966	61,289,366
Foreign currency securities	57,071,723	29,601,339	-	4,373	-	86,677,435
Commitments under agreements	-	-	-	3,898,868	-	3,898,868
Securities linked to foreign exchange variations	34,450,221	-	-	-	-	34,450,221
Receivables	34,723	-	-	-	-	34,723
Investments in international financial organizations	-	-	10,477,835	-	-	10,477,835
Other	1,147,636	-	-	-	-	1,147,636
Total Assets (A)	**129,624,563**	**45,108,481**	**10,563,103**	**12,675,971**	**3,966**	**197,976,084**
Liabilities						
Deposits	345,052	-	10,394,379	-	-	10,739,431
Loan Payables	857,960	22	50,259,474	-	9,339	51,126,795
Commitments under Agreements	3,605,525	376,730	-	-	-	3,982,255
Securities linked to foreign exchange variations	12,000,683	-	-	-	-	12,000,683
Itens in the course of collection	4,534,948	2,081,533	-	1,413,340	-	8,029,821
Other	70,777	-	-	-	-	70,777
Total Liabilities (B)	**21,414,945**	**2,458,285**	**60,653,853**	**1,413,340**	**9,339**	**85,949,762**
Derivatives - short position (C)	**8,276,346**	**-**	**-**	**-**	**-**	**8,276,346**
Derivatives - long position (D)	**14,306,215**	**-**	**-**	**-**	**-**	**14,306,215**
Net Position (A - B + C - D)	**102,179,749**	**42,650,196**	**(50,090,750)**	**11,262,631**	**(5,373)**	**105,996,453**

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

As at Dec 31 2004

	US$	Euro	SDR	Yen	Other	Total
Assets						
Deposits	35,079,113	24,677,251	13,611	7,374,297	10,481	67,154,753
Foreign currency securities	50,474,385	27,904,673	-	5,387	-	78,384,445
Commitments under agreements	-	-	-	4,942,769	-	4,942,769
Securities linked to foreign exchange variations	51,590,731	-	-	-	-	51,590,731
Receivables	72,097	-	71,006	-	-	143,103
Investments in international financial organizations	-	-	12,574,406	-	-	12,574,406
Other	1,268,723	-	-	-	1,261	1,269,984
Total Assets (A)	**138,485,049**	**52,581,924**	**12,659,023**	**12,322,453**	**11,742**	**216,060,191**
Liabilities						
Deposits	1,437,622	-	12,474,329	-	-	13,911,951
Loan Payables	1,149,494	33	68,188,935	-	10,742	69,349,204
Commitments under Agreements	3,986,534	915,907	-	-	-	4,902,441
Securities linked to foreign exchange variations	13,568,662	-	-	-	-	13,568,662
Itens in the course of collection	1,393,350	3,664,985	-	-	-	5,058,335
Other	76,804	-	-	-	-	76,804
Total Liabilities (B)	**21,612,466**	**4,580,925**	**80,663,264**	**-**	**10,742**	**106,867,397**
Derivatives - short position (C)	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives - long position (D)	**40,478,816**	**-**	**-**	**-**	**-**	**40,478,816**
Net Position (A - B + C - D)	**76,393,767**	**48,000,999**	**(68,004,241)**	**12,322,453**	**1,000**	**68,713,978**

35 – LIQUIDITY RISK

The liquidity risk stems from the possibility of the institution having difficulties in meeting its financial obligations and also being forced to sell its assets in the short term, in a way that losses will occur in relation to market values.

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

The Bank's liquidity risk management policy aims at guaranteeing that the institution will be able to meet all of its financial obligations. Therefore, the liquidity risk management policy comprises (i) the management of the diversification of maturities and (ii) the establishment of limits so as to guarantee that the instruments in the portfolio are traded on the secondary market thus preventing the occurrence of abrupt price movements. By reason of that, the policy guarantees immediate liquidity even for issues with longer maturities.

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

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

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

c) Maturities:

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

As at June 30 2005

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Assets						
Deposits	47,259,997	14,029,369	-	-	-	61,289,366
Commitments under agreements	3,898,868	-	-	-	-	3,898,868
Securities	2,850,242	763,178	2,399,036	79,732,470	932,509	86,677,435
Receivables	8,934	22,350	-	-	3,439	34,723
Investments in international financial organizations (*)	-	-	-	-	10,477,835	10,477,835
Other (*)	89,428	569,334	-	-	488,874	1,147,636
Total Assets (A)	**54,107,469**	**15,384,231**	**2,399,036**	**79,732,470**	**11,902,657**	**163,525,863**
Liabilities						
Itens in the course of collection	8,029,821	-	-	-	-	8,029,821
Committments under agreements	3,982,255	-	-	-	-	3,982,255
Loan Payables	-	12,227,231	9,925,602	27,729,979	1,243,983	51,126,795
Deposits	10,739,431	-	-	-	-	10,739,431
Other	-	-	-	-	70,777	70,777
Total Liabilities (B)	**22,751,507**	**12,227,231**	**9,925,602**	**27,729,979**	**1,314,760**	**73,949,079**
Net Position (A - B)	**31,355,962**	**3,157,000**	**(7,526,566)**	**52,002,491**	**10,587,897**	**89,576,784**

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

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

As at Dec 31 2004

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Assets						
Deposits	45,523,712	17,214,416	-	4,416,625	-	67,154,753
Commitments under agreements	2,696,763	2,246,006	-	-	-	4,942,769
Securities	1,060,903	529,751	2,299,822	74,493,969	-	78,384,445
Receivables	65,885	73,140	-	-	4,078	143,103
Investments in international financial organizations (*)	-	-	-	-	12,574,406	12,574,406
Others (*)	-	745,660	-	-	524,324	1,269,984
Total Assets (A)	**49,347,263**	**20,808,973**	**2,299,822**	**78,910,594**	**13,102,808**	**164,469,460**
Liabilities						
Itens in the course of collection	5,058,335	-	-	-	-	5,058,335
Commitments under agreements	2,650,254	2,252,187	-	-	-	4,902,441
Loan Payables	2,310	8,832,308	11,564,868	47,472,015	1,477,703	69,349,204
Deposits	13,911,951	-	-	-	-	13,911,951
Other	-	-	-	-	76,804	76,804
Total Liabilities (B)	**21,622,850**	**11,084,495**	**11,564,868**	**47,472,015**	**1,554,507**	**93,298,735**
Net Position (A - B)	**27,724,413**	**9,724,478**	**(9,265,046)**	**31,438,579**	**11,548,301**	**71,170,725**

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

36 – OPERATIONAL RISK

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

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

In addition, the heads of the departments certify, half-yearly, the consistency of the internal controls in relation to the operations performed under their supervision. This procedure grants the possibility that the Administration Director and the Head of the

Financial Administration Department issue a statement of responsibility to the external audit firm on behalf of the institution about the quality of the internal controls.

37 – RELATED PARTIES

37.1 – The Brazilian Federal Government

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

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

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

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

a. National Treasury operating account – the financial resources of the Brazilian Federal Government must be deposited only at the Bank in an interest-bearing demand deposit account, which pays the average yield of the Brazilian federal government debt securities that the Bank holds in its portfolio, which excludes mark-to-market adjustments **(note 9)**. During the semester the aforementioned yield was 6.79% (9.45% in the first semester of 2004);

b. The Bank's results – the positive result of the Bank, after constitution or reversal of reserves, is considered an obligation the Bank has to the National Treasury and must be settled not later than the tenth business day subsequent to approval of the Bank's financial statements by the CMN. The negative results constitute a right of the Bank against the National Treasury that must be received not later than the tenth business day of the year subsequent to approval of the financial statements. Both amounts are updated until the date of the effective transfer or coverage by the same interest rate paid for the National Treasury operating account **(notes 9 and 29)**.

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

d. Payment of Lawsuits – the payments of lawsuits in which the Federal Government or any of its agencies are a party have been centralized under the responsibility of the courts where they are handled. Those courts have to deal with the budgetary and financial issues, i.e., they must obtain authorization and perform the execution of payments. Hence, the Bank no longer uses its resources to pay for those obligations **(note 20.2)**.

e. Utilization of Securities as a Monetary Policy Tool – in the execution of the monetary policy the Bank uses federal government debt securities. The transactions with securities between the National Treasury and the Bank always occur at market prices.

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

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

g. Rendering of Services as an International Financial Agent – until December 31, 2004, the Bank conducted the issuing, the marketing, the repayment and the restructuring of the debt of the Federal Republic of Brazil on the international market on the behalf of the National Treasury. The Bank was also responsible for the execution of the payments and the recording of Brazil's external liabilities. However, since January 2005, the National Treasury has taken over control of those activities except for the ones related to the operational management of the external debt, which remain in the Bank.

The following table shows the main operations that occurred between the National Treasury and the Bank during the period.

	1st Sem 2005	2nd Sem 2004
National Treasury Operating Account		
Opening balance	158,231,716	138,874,187
(+) remuneration	11,283,553	6,448,296
(+) deposits	45,696,282	12,909,233
Closing balance	215,211,551	158,231,716
Federal Government debt securities		
Opening balance	306,047,865	301,294,999
(-) net redemptions	(6,774,303)	(12,083,291)
(+) remuneration	19,757,653	14,615,300
(+) mark-to-market adjustment	(2,047,499)	2,220,857
Closing balance	316,983,716	306,047,865
Result to be covered by the National Treasury		
Opening balance	255,096	-
(+) remuneration	16,991	-
(+) negative result - 1st semester 2005	11,615,413	-
(+) negative result - 2nd semester 2004	-	258,271
(+) realization of reserves	-	(3,175)
Closing balance	11,887,500	255,096
Result to be transferred to the National Treasury		
Opening balance	-	2,456,103
(+) remuneration	-	29,014
(-) coverage	-	(2,485,117)
Closing balance	-	-
Transfer under Budget Law	320,816	279,558

37.2 – The Board of Directors and other management officers

The Bank's Board of Directors consists of 9 Directors (including the Governor). The Bank has also strategic positions exercised by 39 Heads of Departments. The Bank does not grant loans of any kind to any of its Directors, Heads of Departments or employees. Nevertheless, the benefits include salaries, wage related expenses, health care and other fringe benefits. The Bank is also responsible for the payment of post retirement benefits for the heads of departments and for the directors who are regular employees.

The total remuneration of the Board of Directors (including salaries, benefits, social security and other wage related expenses) amounted to R$630 in the semester (R$624 in the first semester of 2004). The figure for the Heads of Departments amounted to R$3,421 in the semester (R$2,702 in the first semester of 2004).

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

37.3 – Centrus

The *Fundação Banco Central de Previdência Privada* (Centrus), a non-profit organization, is a private pension fund that aims to complement the retirement benefits and pensions granted by the General Social Security Regime (RGPS) **(notes 10.2 and 18)**. The Bank sponsors Centrus and as a result of that the following transactions occurred between the entities.

	1st Sem 2005	2nd Sem 2004
Accounts Receivable		
Opening balance	1,990,689	1,864,752
(+) updating	55,250	328,644
(+) reversal of contributions	82,508	(194,345)
(-) amounts received	(186,026)	(8,362)
Closing balance	1,942,421	1,990,689
Provision for Employer's contribution		
Opening balance	95,616	171,798
(+) adjustments	6,754	(68,687)
(-) payments	(6,225)	(7,495)
Closing balance	96,145	95,616
Mathematical Reserves to be paid up		
Opening balance	925,627	853,963
(+) updating	43,998	71,664
Closing balance	969,625	925,627
Payment of Management Fees	259	5,258

38 – FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

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

This provision was partially amended by the Fiscal Responsibility Law:

> "Article 7. The positive result of Banco Central, calculated after constitution or reversal of reserves, constitutes a revenue of the National Treasury and shall be transferred not later than the tenth business day subsequent to approval of the half-year balance sheets.
>
> Paragraph 1. The negative results will constitute a Treasury liability owed to the Banco Central do Brasil and will be consigned to a specific budget allocation account."

In accordance with item II of Article 2 of Provisional Measure 2,179-36, this negative result must be paid not later than the tenth business day of the fiscal year subsequent to the year of approval of the balance sheet by the National Monetary Council.

Therefore:

I. The result of the Bank is comprised of revenues and expenses related to all its operations;
II. Positive results are transferred as revenues and negative results are charged to the National Treasury as expenses incurred by the entity;
III. Such results are included in the Fiscal Budget in the National Treasury account.

The Bank experienced a deficit of R$301,757 in the first quarter of 2005, and a deficit of R$11,314,796 in the second quarter of 2005, totalling a negative result of R$11,616,553, in the half year, which, after realization of reserves, will be covered by the National Treasury. In conformity with Article 9, Paragraph 5 of the Fiscal Responsibility Law, within ninety days after the end of the half-year, the Bank shall submit at a joint meeting of the pertinent thematic commissions of the National Congress an evaluation report on the fulfilment of objectives and targets of the monetary, credit and foreign exchange policies, evidencing the result shown in the financial statements and the impact and the fiscal cost of its operations.

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

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

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$6,401,770 in the first quarter of 2005, and to R$5,190,623 in the second quarter of 2005 (R$11,592,393 during the half-year).

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

The cost of maintaining foreign exchange reserves is calculated as the difference between the yield of the international reserves and the average rate of obtaining such reserves.

	International Reserves		Cost of Funding	Cost of Maintaining the International Reserves	
	Average Balance (R$ thousands)	Profitability (%)	(%)	(%)	(R$ thousands)
1st Quarter	153,591,644	(1.2025)	2.2703	(3.4728)	(5,333,931)
2nd Quarter	152,167,008	(14.2345)	(0.3558)	(13.8787)	(21,118,803)
Total in the Semester	-	-	-	-	**(26,452,734)**

In the second quarter, with an average daily balance of R$152,167,008, the international reserves recorded a negative yield of 14.2345%, considering the negative variation in the period of the main foreign currencies due to their depreciation against the real. Due to the exclusion of the average cost of liabilities, a negative 0.3558%, the reserves presented a net result of a negative 13.8787% (R$21,118,803).

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

d. The profitability of the securities portfolio, especially the securities issued by the National Treasury - Fiscal Responsibility Law, Article 7, Paragraph 3

	Income	Expenses	Result
1st Quarter	**12,858,265**	**(1,854,828)**	**11,003,437**
Federal Government debt securities	12,553,009	(1,075,740)	11,477,269
Own Issue debt securities	305,256	(779,088)	(473,832)
2nd Quarter	**14,183,298**	**(4,870,831)**	**9,312,467**
Federal Government debt securities	12,552,081	(4,519,966)	8,032,115
Own Issue debt securities	1,631,217	(350,865)	1,280,352
Total in the Semester	**27,041,563**	**(6,725,659)**	**20,315,904**

In the 2nd quarter, the result obtained is mostly explained by the following contributing factors:

I. Federal Government Debt Securities – the positive result arising from transactions with those securities amounted to R$8,032,115, due, especially, to interest earnings;

II. Own Issue Debt Securities – the net positive result arising from transactions with own issue debt securities amounted to R$1,280,352, as a result of the negative exchange rate variation which occurred in the period.

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Board of Directors
Afonso Sant’Anna Bevilaqua
Alexandre Antonio Tombini
Alexandre Schwartsman

Antonio Gustavo Matos do Vale

João Antônio Fleury Teixeira

Paulo Sérgio Cavalheiro

Rodrigo Telles da Rocha Azevedo

Sérgio Darcy da Silva Alves

Head of the Department of Financial Administration

Jefferson Moreira – Accountant, CRC-DF 7,333

Independent auditors' report

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

1. We have examined the accompanying balance sheet of Banco Central do Brasil as of June 30, 2005 and the related statements of income and changes in net equity for the half-year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the financial institutions under liquidation, with which Banco Central do Brasil holds credits receivable in the amount of R$ 22,865 million at June 30, 2005, were examined by other auditors. A provision for losses on credits receivable from institutions under liquidation in the amount of R$ 5,078 million was recorded for these credits, based on specific accounting rules adopted by Banco Central do Brasil. These rules require the computation of the net assets of these institutions after deducting the preferential liabilities, obtained from those financial statements. Our opinion on the sufficiency of the provision for losses on credits receivable from institutions under liquidation is based on the opinions of those auditors on the financial statements used as a basis for their calculations. (Notes 3.9 and 10).

2. Our examinations, with the exception of the issues mentioned in paragraphs 3 and 4, were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal controls of Banco Central do Brasil; (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 the management of Banco Central do Brasil, as well as the presentation of the financial statements taken as a whole.

3. As disclosed in Notes 3.12(a) and 18, Banco Central do Brasil is responsible for the payment of retirement pensions to employees who have retired since 1991 and do not participate in the CENTRUS pension plan. This obligation is settled on a monthly basis from the budgetary appropriation provided in the administrative budget. As also disclosed in Note 3.12(b), Banco Central do Brasil offers healthcare benefits to all its active and retired employees and pensioners, and their dependents. Banco Central do Brasil did not calculate the actuarial liability related to the aforementioned benefits. Consequently, it was not possible to record the respective liability arising from the aforementioned actuarial liability.

4. In the half-year ended June 30, 2005, Banco Central do Brasil implemented a new system for management of litigations, which is used to calculate the provision for contingencies, the criteria of which are described in Note 19. Our examinations for verifying the databases existing in the aforementioned system, as well as for evaluating the application of the criteria for recording a provision for contingencies, presented certain inconsistencies, that, due to their nature, indicate the need for greater uniformity in the application of the concepts for determining the probable amount of the disbursement and for the prospects of the outcome of the litigations. As a consequence, it was not practicable to evaluate the adequacy of the provision for contingencies, the balance of which at June 30, 2005, was R$ 730 million, nor of the total amount of R$ 1,897 million, posted to net equity, as described in detail in Note 22.

5. The financial statements mentioned in paragraph 1 were prepared in accordance with the accounting practices described in Note 3, which do not differ significantly from accounting practices adopted in Brazil. With the approval of the National Monetary Council and in order to attain best international accounting practices, since 2002 Banco Central do Brasil has made a series of changes in these accounting practices, as described in Note 3.15.

6. In our opinion, based on our examinations and on the opinion of other independent auditors, as mentioned in paragraph 1, and except for the adjustments that may result from the issues discussed in paragraphs 3 and 4, the aforementioned financial statements present fairly, in all material respects, the financial position of Banco Central do Brasil as of June 30, 2005, and the results of its operations and changes in net equity for the half-year then ended, in conformity with accounting practices adopted in Brazil and the specific rules applicable to Banco Central do Brasil, described in Note 3.

7. The statements of cash flows of Banco Central do Brasil, for the half-years ended June 30, 2005 and December 31, 2004, which are not required as an integral part of the financial statements mentioned in the first paragraph, are being presented as supplementary information. These financial statements were submitted to the same audit procedures as those described in the second paragraph, and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

8. We examined the balance sheet as of December 31, 2004 and the statements of income and changes in net equity for the half-year ended June 30, 2004, disclosed jointly with the financial statements mentioned in paragraph 1, in accordance with the same procedures described in paragraph 2 and in our respective reports, dated February 16, 2005 and August 11, 2004, we issued qualified opinions with respect to the same issues described in paragraph 3.

August 17, 2005

KPMG

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

Original report in Portuguese signed by
Francesco Luigi Celso
Accountant CRC SP175348/O-5-S-DF