BANCO CENTRAL DO BRASIL
Administration Management
Financial Administration Department

Condensed Interim Financial Statements

June 30, 2006

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM BALANCE SHEET (As at June 30, 2006)
In Thousands of Reais

ASSETS	Notes	Jun 30,2006	Dec 31,2005 (Restated)
ASSETS IN FOREIGN CURRENCIES		**154.896.483**	**140.474.794**
Cash and Cash equivalents		11.154.241	6.208.473
Financial Assets Purchased Under Agreements to Resell		3.199.713	2.869.024
Time Deposits placed with Financial Institutions		23.110.439	27.334.446
Gold	6	1.433.945	1.341.149
Debt Securities		106.112.754	92.386.198
Credits Receivable		86.548	95.101
Investments in International Financial Organizations		9.798.834	10.238.727
Other		9	1.676
ASSETS IN LOCAL CURRENCY		**333.879.743**	**342.992.288**
Financial Assets Purchased Under Agreements to Resell	7	-	25.941.192
Deposits		603.854	596.873
Derivatives		257.764	177.372
Debt Securities Issued by the Federal Government		297.993.798	281.393.821
Receivables from the Federal Government		12.954.606	13.172.325
Credits Receivable	8	21.177.150	20.826.385
Property, Plant and Equipment		792.417	807.880
Other		100.154	76.440
TOTAL		**488.776.226**	**483.467.082**

LIABILITIES	Notes	Jun 30,2006	Dec 31,2005 (Restated)
LIABILITIES IN FOREIGN CURRENCIES		**21.125.905**	**16.687.362**
Items in the Course of Collection		6.192.138	1.161.717
Financial Assets Sold Under Agreements to Repurchase		3.199.652	2.856.494
Deposits Received from Financial Institutions		584	632
Loans Payable		1.650.307	2.153.575
Deposits Received from International Financial Organizations		9.915.237	10.436.213
Other		167.987	78.731
LIABILITIES IN LOCAL CURRENCY		**395.632.447**	**388.167.392**
Items in the Course of Collection		-	216.645
Financial Assets Sold Under Agreements to Repurchase	7	85.992.513	63.109.520
Deposits Received from Financial Institutions		107.688.756	104.545.368
Derivatives		263.429	143.798
Debt Securities in Issue	9	6.293.811	6.815.600
Payables to the Federal Government		192.407.714	210.676.394
Actuarial Liabilities		1.130.956	1.081.940
Provisions	10	1.251.082	1.017.055
Accounts Payable	8.b	579.433	533.840
Other		24.753	27.232
CURRENCY IN CIRCULATION		**63.272.460**	**70.033.641**
EQUITY	11	**8.745.414**	**8.578.687**
Income Reserve		4.662.369	4.662.369
Revaluation Reserve		488.707	491.849
Gains/Losses Recognized Directly in Equity		(888.035)	(832.625)
Net IFRS Transition Adjustments	5	1.906.017	1.906.017
Retained Earnings		2.576.356	2.351.077
TOTAL		**488.776.226**	**483.467.082**

The accompanying Notes are an integral part of the Condensed Interim Financial Statements

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2006
In Thousands of Reais

	Notes	1st SEM/2006	1st SEM/2005 (Restated)
FOREIGN CURRENCY OPERATIONS		**(5.215.082)**	**(12.304.177)**
Interest income		2.777.397	2.173.295
Interest expense		(217.370)	(1.919.553)
(=) Net interest income	**12**	2.560.027	253.742
Gains/losses on financial assets classified as "At fair value through profit or loss"	**13**	(1.032.921)	(210.811)
Foreign exchange gains/losses	**14**	(6.742.188)	(12.347.108)
LOCAL CURRENCY OPERATIONS		**(6.627.216)**	**831.692**
Interest income		42.377.784	24.657.109
Interest expense		(24.760.292)	(22.345.205)
(=) Net interest income	**12**	17.617.492	2.311.904
Gains/losses on financial assets classified as "At fair value through profit or loss"	**13**	(22.743.787)	1.330.807
Net investment income/loss		(160.711)	(321.919)
Gains/losses from foreign currency-linked operations	**14**	(1.340.210)	(2.489.100)
NET PROVISIONS		**(11.019)**	**434**
OTHER INCOME		**535.071**	**642.455**
OTHER EXPENSES		**(1.205.710)**	**(796.869)**
NET INCOME/LOSS	**15**	**(12.523.956)**	**(11.626.465)**

The accompanying Notes are an integral part of the Condensed Interim Financial Statements

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2006 (Note 11)
In Thousands of Reais

	INCOME RESERVE	REVALUATION RESERVE	GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY	NET IFRS TRANSITION ADJUSTMENTS	RETAINED EARNINGS	EQUITY
Balance as at December 31, 2005	4.662.369	491.849	(832.625)	1.906.017	2.576.356	8.803.966
Changes in Accounting Policies and Correction of Errors (note 8b)	-	-	-	-	(225.279)	(225.279)
Balance as at December 31, 2005 (Adjusted)	**4.662.369**	**491.849**	**(832.625)**	**1.906.017**	**2.351.077**	**8.578.687**
Revaluation of Fixed Assets / Realization of Reserves	-	(3.142)	-	-	3.142	-
Available-for-Sale Financial Assets						
- Gains/Losses Recognized Directly in Equity	-	-	(615.144)	-	-	(615.144)
- Gains/Losses Reclassifed to the Income Statement Upon Disposal	-	-	559.734	-	-	559.734
Total Amount Recognized Directly in Equity	**-**	**(3.142)**	**(55.410)**	**-**	**3.142**	**(55.410)**
Net Income/Loss for the Period	**-**	**-**	**-**	**-**	**(12.523.956)**	(12.523.956)
Total Income and Expenses recognized during the semester	**-**	**(3.142)**	**(55.410)**	**-**	**(12.520.814)**	**(12.579.366)**
Result to be recovered from the National Treasury	**-**	**-**	**-**	**-**	12.746.093	12.746.093
Balance as at June 30, 2006	**4.662.369**	**488.707**	**(888.035)**	**1.906.017**	**2.576.356**	**8.745.414**
Balance as at December 31, 2004	4.327.548	498.134	2.620.852	-	2.748.616	10.195.150
Changes in Accounting Policies and Correction of Errors (note 8b)	-	-	-	-	(184.992)	(184.992)
Balance as at December 31, 2004 (Adjusted)	**4.327.548**	**498.134**	**2.620.852**	**-**	**2.563.624**	**10.010.158**
Net IFRS Transition Adjustments	**-**	-	**-**	1.906.017	-	1.906.017
Revaluation of Fixed Assets / Realization of Reserves	-	(3.142)	-	-	3.142	-
Available-for-Sale Financial Assets						
- Gains/Losses Recognized Directly in Equity	**-**	-	(3.640.040)	-	-	(3.640.040)
- Gains/Losses Reclassifed to the Income Statement Upon Disposal	**-**	-	(321.919)	-	-	(321.919)
Total Amount Recognized Directly in Equity	**-**	**(3.142)**	**(3.961.959)**	**1.906.017**	**3.142**	**(2.055.942)**
Net Income/Loss for the Period	**-**	**-**	**-**	**-**	**(11.626.465)**	**(11.626.465)**
Total Income and Expenses recognized during the semester	**-**	**(3.142)**	**(3.961.959)**	**1.906.017**	**(11.623.323)**	**(13.682.407)**
Result to be recovered from the National Treasury	**-**	**-**	**-**	**-**	11.615.413	11.615.413
Balance as at June 30, 2005	**4.327.548**	**494.992**	**(1.341.107)**	**1.906.017**	**2.555.714**	**7.943.164**

The accompanying Notes are an integral part of the Condensed Interim Financial Statements

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM CASH FLOW STATEMENT - 1st SEMESTER OF 2006
In Thousands of Reais

	Notes	1st SEM/2006	1st SEM/2005
			(Restated)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**6.335.557**	**4.659.241**
Interest received		1.702.645	1.062.413
Interest paid		(269.489)	(1.615.343)
Purchases/sales of securities		(15.834.701)	(21.748.848)
Purchases/sales of foreign currencies		30.757.221	21.142.606
Placements/redemptions of repurchase and reverse repurchase transactions		25.507	1.337.931
Placements/redemptions of term deposits		5.263.639	(59.565)
Redemptions of deposits received		215.738	(615.698)
Payments/receipts on behalf of the National Treasury		(15.607.363)	5.302.771
Credits receivable		2.572	32.748
Other payments/receipts		79.788	(179.774)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(161.370)**	**(183.243)**
Repayments of loan principal		(161.370)	(183.243)
NET CASH FLOWS		**6.174.187**	**4.475.998**
CHANGE IN CASH AND CASH EQUIVALENTS	**3.14**	**6.174.187**	**4.475.998**
Cash and cash equivalents at beginning of period		6.208.472	7.926.114
Cash and cash equivalents at end of period		11.154.241	10.508.409
Effect of exchange rate changes on cash and cash equivalents		(1.228.418)	(1.893.703)

The accompanying Notes are an integral part of the Condensed Interim Financial Statements

1. BANCO CENTRAL DO BRASIL AND ITS FUNCTIONS

Banco Central do Brasil (the "Bank"), an agency of the federal government that forms 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, in the *Setor Bancário Sul – Quadra 3, Bloco B*, and has offices in nine other states of Brasil.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved these condensed interim financial statements on August 8, 2006. The condensed interim financial statements are available on the Bank's internet website (www.bcb.gov.br).

2. BASIS OF PRESENTATION

The condensed interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs") for interim financial statements, except as pertains to International Accounting Standard ("IAS") 19 – Employee Benefits, and considering the following:

a) They have been prepared on a condensed basis in conformity with IAS 34 – Interim Financial Reporting, and therefore, do not include all of the information required in a complete set of annual financial statements. Thus, the condensed interim financial statements should be read in conjunction with the annual financial statements prepared as at and for the year ending December 31, 2005;

b) IFRS 1 - First-time Adoption of International Financial Reporting Standards, has been applied in these condensed interim financial statements, and they comprise the first interim financial statements prepared for part of the period to be covered by the first IFRS annual financial statements;

c) They have been prepared on the basis of IFRSs in issue and expected to be effective at the Bank's first IFRS annual reporting date, December 31, 2006;

d) The accounting for employee benefits in accordance with IAS 19 is expected to occur up to December 31, 2006; the first IFRS annual reporting date;

e) The accounting policies used to prepare the condensed interim financial statements do not differ from those that were applied in the most recent annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent a summary of the most significant accounting principles used by the Bank; which have been consistently applied in all periods presented in the condensed interim financial statements; and in preparing the opening balance sheet on January 1, 2005, for the purpose of transition to IFRSs, and as required by IFRS 1. The impact of the transition from the previous GAAP is described in **note 5**.

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

3.1. Revenue recognition

Revenue is recognized on an accrual basis, and semi-annually, is transferred to the National Treasury in the event of net income, or otherwise covered by the National Treasury in the event of a net loss **(note 15)**.

3.2. Assets and liabilities denominated in foreign currencies

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

	Jun 30, 2006	Dec 31, 2005
U.S. Dollar	2,1639	2,3403
Euro	2,7673	2,7680
SDR	3,2012	3,3449
Yen	0,0189	0,0198

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

3.3. Derivatives

Derivatives are recognized on their respective trade dates at fair value; which is obtained from quotations in active markets, recent trades or the use of pricing models.

Derivatives are shown as assets when their fair values are positive and as liabilities when their fair values are negative. All gains and losses on derivatives are recognized in the income statement **(note 13)**.

The Bank does not apply hedge accounting as contemplated in IAS 39 – Financial Instruments: Recognition and Measurement.

3.4. Recognition of income and expenses

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

3.5. Financial assets

Financial assets are recognized at their fair values at the time they are traded, i.e., on the date the Bank firmly commits itself to the sale or purchase of the instrument. They are written-off at the settlement date, when there lacks a perspective of realization (**note 3.8**) or in the event of loss of the right of realization.

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

a) Financial assets at fair value through profit or loss

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

- When it is management's intention to trade the financial asset in the near-term;
- If the financial instrument is a derivative;
- When so designated by management due to the fact that this classification results in more relevant information; and so long as the financial assets are being managed on a fair value basis.

Fair value is based on market prices as quoted by primary depository trust companies (custodians) or economic information providers. For financial assets which are not traded in an active market, fair value is calculated using pricing models, which incorporate prices of recent trades and discounted cash flow techniques. The Bank has classified: (i) derivatives; (ii) debt securities denominated in foreign currencies; and (iii) receivables from financial institutions in liquidation in this category.

b) Available-for-sale

This category includes non-derivative financial assets that are not classified in one of the other categories; and is mainly used when Bank management does not have a specific intention with regard to either maintaining or disposing of the financial asset. These assets are marked-to-market; with unrealized gains and losses recorded in equity. Such gains and losses are recognized in the income statement when they are effectively realized. Interest on these assets, calculated based on the effective interest method, is recognized in the income statement. The Bank has classified: (i) the gold comprising part of the international reserves **(note 6);** (ii) debt securities issued by the Federal Government – acquired for purposes of executing monetary policy; and (iii) investments in international financial organizations in this category.

c) Held-to-maturity

This category includes non-derivative financial assets for which the Bank has the intent and ability to hold until maturity; and which are carried at amortized cost. The Bank has classified non-negotiable debt securities issued by the Federal Government in this category.

d) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; and which are valued at amortized cost. The Bank has classified: (i) judicial deposits; and (ii) credits receivable from the *"Fundação Banco Central de Previdência Privada – Centrus"* in this category.

3.6. Offsetting of assets and liabilities

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

3.7. Repurchase transactions and reverse repurchase transactions

Repurchase and reverse repurchase transactions are executed with either securities or currencies.

In transactions with securities, the securities sold subject to repurchase agreements (repos) are retained in the balance sheet as Securities committed to repurchase agreements, and a liability is recognized for the obligation to repurchase the security. In reverse repurchase transactions (reverse repos), a receivable is recorded at an amount equal to the settlement price; while the securities are recorded in off-balance sheet accounts.

Securities lending agreements are accounted for in the same manner as repo transactions.

In transactions with currencies, the currencies sold subject to repurchase agreements are derecognized from the balance sheet. Foreign currencies purchased under resale agreements are recognized in the balance sheet as Cash and cash equivalents.

The difference between the sale and repurchase price (repos), or between the purchase and resale price (reverse repos) is recognized as interest and accrued over the life of the respective agreement.

3.8. Impairment of financial assets

The Bank assesses, at least semi-annually, if there is objective evidence of impairment of any of its financial assets.

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

a) Financial difficulties of the issuer or obligor;

b) The occurrence of default in any payments; whether related to principal or interest;

c) Legal determination of a renegotiation, discounting procedure or partial loss;

d) Extrajudicial liquidation, bankruptcy or other types of reorganizations;

e) The disappearance of an active market for previously traded financial assets.

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

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

If in a subsequent period the amount of a previously recognized impairment loss decreases, and the decrease relates to an objectively verifiable event occurring after the impairment was recognized, the amount of the reversal is recognized as a gain.

3.9. Property, plant and equipment

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

Land and 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:

a) Buildings: 62.5 years;

b) Equipment and furniture:

  - Computer equipment and vehicles: 5 years;
  - Other equipment and furniture: 10 years.

3.10. Provisions

The Bank recognizes a provision for legal claims when it is probable that an outflow of economic resources will be necessary to settle the claim and a reliable estimate of the amount can be made. When it is possible, but not probable that an outflow of economic resources will be necessary to settle the claim, no provision is established. Provisions are adjusted to present value using market interest rates that incorporate similar characteristics and tenure.

3.11. Employee benefits

a) Post-employment benefits

The Bank's employees are subject to Law 8,112; which regulates the benefits of employees of the federal government. On account of the aforementioned law, and complementary legal provisions, there exist two types of post-employment benefit plans.

Benefits granted up to December 31, 1990 are defined benefits paid by Centrus; funded with contributions by the Bank and the plan's beneficiaries. The amount of contributions is based on actuarial calculations, and the Bank is responsible for any actuarial deficits.

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

The Actuarial liabilities recorded in the balance sheet pertain to the Bank's responsibility regarding benefits granted up to December 31, 1990.

b) Medical care benefits

The Bank provides healthcare benefits; which include medical, dental and psychological care expenses, for its current and retired employees, and their dependents.

The funding of these costs is shared by the Bank and its employees. The Bank's contributions are charged monthly to an expense account.

3.12. Loans Payable and Debt Securities

Loans and debt securities are initially recognized at their fair value, i.e., the amount of consideration received less transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Derecognition from the balance sheet occurs when the Bank repays or redeems these liabilities in advance.

3.13. Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax exempt as pertains to results arising from the exercise of its normal activities, but is otherwise subject to withholding taxes from services rendered by third parties, and is subject to paying other taxes of a non-income nature.

3.14. Cash Flow Statement

The main purpose of the Cash Flow Statement is to demonstrate an entity's capacity to generate cash so as to meet its liquidity needs. Since the Bank is the institution that provides liquidity to the national financial system, having the right to issue currency into circulation, management has prepared the Statement of Cash Flows referring only to its foreign currency operations; which are outside the limits of the Bank's prerogative to issue.

Cash and cash equivalents comprise cash in species, demand deposits and short-term time deposits.

4. ACCOUNTING RECLASSIFICATIONS

Accounting reclassifications were made to the comparative financial information for 2005 so as to achieve better comparability with the current period financial information. The following table demonstrates the amounts originally published and the reclassifications made.

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

a) Balance Sheet

	Originally Published Value	Reclassifications	Restated Value
Assets in foreign currencies			
Cash and Cash equivalents	514.057	5.694.416	6.208.473
Time Deposits placed with Financial Institutions	33.028.862	(5.694.416)	27.334.446
Assets in local currency			
Receivables from the Federal Government	13.187.222	(14.897)	13.172.325
Credits Receivable **(originally published value was adjusted - note 8b)**	20.811.510	14.875	20.826.385
Property, Plant and Equipment	769.398	38.482	807.880
Other	114.900	(38.460)	76.440
Liabilities in foreign currencies			
Deposits Received from International Financial Organizations	10.436.845	(632)	10.436.213
Deposits Received from Financial Institutions	-	632	632
Liabilities in local currency			
Payables to the Federal Government	210.676.399	(5)	210.676.394
Accounts Payable **(originally published value was adjusted - note 8b)**	494	533.346	533.840
Other	560.573	(533.341)	27.232

b) Income Statement

	Originally Published Value	Reclassifications	Restated Value
Foreign Currency Operations			
Interest expense	(1.973.743)	54.190	(1.919.553)
Gains/losses on financial assets classified as "At fair value through profit or loss"	(160.715)	(50.096)	(210.811)
Local Currency Operations			
Interest income **(originally published value was adjusted - note 8b)**	24.656.643	466	24.657.109
Gains/losses on financial assets classified as "At fair value through profit or loss"	1.666.844	(336.037)	1.330.807
Net Provisions	**(335.603)**	**336.037**	**434**
Other Income	**642.921**	**(466)**	**642.455**
Other Expenses	**(792.775)**	**(4.094)**	**(796.869)**

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

c) Cash Flow Statement

	Originally Published Value	Reclassifications	Restated Value
Net Cash Flows from Operating Activities			
Purchases/sales of securities	(24.259.421)	2.510.573	(21.748.848)
Purchases/sales of foreign currencies	24.991.110	(3.848.504)	21.142.606
Placements/redemptions of repurchase and reverse repurchase transactions	-	1.337.931	1.337.931

5. TRANSISTION TO IFRSs

As described in **note 2,** these are the Bank's first condensed interim financial statements prepared in order to comply with IFRSs; and include part of the period to be covered by the Bank's first IFRS annual financial statements; to be prepared as at and for the year ending December 31, 2006.

The Bank's accounting standards are determined by the CMN, which on June 27, 2002, approved the transition to IFRSs. The transition process was gradual; with a majority of the adjustments made in the opening balance sheet as at January 1, 2005. Thus, there was a single financial statement prepared in 2005. Therefore, presentation of the reconciliations required by IFRS 1 is not applicable to the Bank.

The accounting standards described in **note 3** were applied in the preparation of the condensed interim financial statements for the period ended June 30, 2006; the comparative financial information for the period ended June 30, 2005; the 2005 annual financial statements; and in the preparation of the opening balance sheet on January 1, 2005; the IFRS opening balance sheet date.

The following table demonstrates how the transition from the previous accounting standards to IFRSs impacted the opening balance sheet:

	Previous Accounting Standards Dec 31, 2004	Transition Effects	IFRS Jan 1, 2005
Assets in foreign currencies			
Financial Assets Purchased under Agreements to Resell	4.942.769	8.994	4.951.763
Liabilities in local currency			
Provision for Legal Claims	2.809.530	(1.368.975)	1.440.555
Adjustment to present value of the provision for legal claims	-	(528.048)	(528.048)
Equity	10.010.158	1.906.017	11.916.175

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

a) To record purchases and sales of currencies with resale or repurchase commitments as repos or reverse repos;

b) To change the method in accounting for the provision for legal claims; providing for cases only where the chance of loss is deemed probable, and measuring the provision at its present value, in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

In accordance with IFRS 1, the Bank used the following exemptions in the adoption of IFRSs:

a) Designation of financial instruments - the Bank reclassified credits from financial institutions under extrajudicial liquidation to the category Financial assets at fair value through profit or loss. This reclassification did not result in remeasurement of the assets; as they had already been recorded at their fair values;

b) The Bank considered the deemed cost of real estate to be the value of the most recent revaluations performed.

6. GOLD

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

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

As at June 30, 2006, the Bank's gold reserve amounted to 1,080,132.49 fine troy ounces (1,080,068.65 as at December 31, 2005). Gold is classified as available-for-sale given the lack of a specific intent to trade in the near-term. Gold is measured at its market price in US dollars, with price adjustments recorded in equity and the effects of exchange rate variation recorded in the income statement.

	Jun 30, 2006	Dec 31, 2005
Cost	661.449	759.716
Mark-to-market Adjustments	772.496	581.433
Carrying Amount	1.433.945	1.341.149

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

7. FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL/SOLD UNDER AGREEMENTS TO REPURCHASE

The variations in the account balances of financial assets purchased under agreements to resell (reverse repos)/sold under agreements to repurchase (repos) reflects the intervention of the Bank in managing market liquidity. In the current semester, liquidity was mainly impacted by redemption of National Treasury securities and the acquisition of foreign currencies in the domestic market.

8. CREDITS RECEIVABLE

As at June 30, 2006

	Cost	Allowance for Bad Debt	Mark-to-Market	Carrying Amount
At Fair Value Through Profit or Loss	**41.867.696**	**-**	**(22.482.793)**	**19.384.903**
Banco Nacional - Under extra-judicial Liquidation	19.796.379	-	(10.957.755)	8.838.624
Banco Econômico - Under extra-judicial Liquidation	17.230.378	-	(8.021.355)	9.209.023
Banco Mercantil - Under extra-judicial Liquidation	1.429.603	-	(92.347)	1.337.256
Banco Banorte - Under extra-judicial Liquidation	665.225	-	(665.225)	-
Banco Bamerindus - Under extra-judicial Liquidation	2.746.111	-	(2.746.111)	-
Loans and Receivables	**1.856.864**	**(64.617)**	**-**	**1.792.247**
Centrus	1.762.321	-	-	1.762.321
Others	94.543	(64.617)	-	29.926
Total	**43.724.560**	**(64.617)**	**(22.482.793)**	**21.177.150**

As at Dec 31, 2005

	Cost	Allowance for Bad Debt	Mark-to-Market	Carrying Amount
At Fair Value Through Profit or Loss	**22.552.018**	**-**	**(3.542.412)**	**19.009.606**
Banco Nacional - Under extra-judicial Liquidation	13.526.370	-	(3.272.478)	10.253.892
Banco Econômico - Under extra-judicial Liquidation	5.480.790	-	-	5.480.790
Banco Mercantil - Under extra-judicial Liquidation	204.319	-	-	204.319
Banco Banorte - Under extra-judicial Liquidation	621.224	-	(215.724)	405.500
Banco Bamerindus - Under extra-judicial Liquidation	2.719.315	-	(54.210)	2.665.105
Loans and Receivables	**1.880.297**	**(63.518)**	**-**	**1.816.779**
Centrus	1.783.157	-	-	1.783.157
Others	97.140	(63.518)	-	33.622
Total	**24.432.315**	**(63.518)**	**(3.542.412)**	**20.826.385**

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

a) At Fair Value Trough Profit or Loss

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

These receivables had been actualized based on the contractual interest rates as from the respective loan disbursement dates, and by the Referential Rate (TR), as from the dates of the respective liquidations of the financial institutions; based on management's previous understanding of applicable legislation. In the current semester, in order to more reliably reflect the valuation of these receivables, the receivables were calculated in accordance with the sole paragraph of Article 26 of the Bankruptcy Law. This had as a consequence that the portion of the receivables balances attributable to the PROER loans was actualized by the contractual rates up to limits of the collateral on the loans.

As a result of this understanding, the fair value of these credits was measured based on the fair value of the collateral; excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes). This change was deemed a change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, and did not cause a significant net impact to the results of the Bank. The following table presents the receivables balances as at June 30, 2006, calculated based on the new methodology, and also demonstrates what the account balances would have been if the old methodology had been utilized at the reporting date:

	New methodology	Old methodology	Impact
Receivables from financial institutions under extrajudicial liquidation			
Cost	41.867.696	22.774.245	19.093.451
Mark-to-Market	(22.482.793)	(3.746.345)	(18.736.448)
Total	19.384.903	19.027.900	357.003

b) Loans and Receivables - Centrus

This amount resulted from contributions to Centrus made by the Bank up to December 31, 1990 with respect to the employees that were transferred to the RJU; and is adjusted by the average yield of Centrus' assets (10.3% in the first semester of 2006 and 2.8% in the first semester of 2005).

As compensation for administering these resources, the Bank pays Centrus a monthly management fee of 0.05% of the adjusted receivables balance; so long as the monthly yield of the assets is higher than IGP-DI + 0.486%.

In the current semester, the amount of the receivables balance, and the management fee payable, was corrected as a result of the identification of mistakes in the calculation of the remuneration of the assets, and consequently, the management fee. As the mistakes occurred from 1997 onwards, the corrections have been made directly in the opening equity balances of the comparative financial information; as prescribed by IAS 8. The following table demonstrates the impact of these corrections in each period presented:

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

	Credits Receivable	Accounts Payable	Equity	Income Statement
Dec 31, 2004	(184.992)	-	(184.992)	-
Jun 30, 2005	(9.912)	-	-	(9.912)
Dec 31, 2005	(29.881)	495	-	(30.376)
Total	**(224.785)**	**495**	**(184.992)**	**(40.288)**

9. DEBT SECURITIES IN ISSUE

In the execution of monetary and foreign exchange policy, the Bank issued its own securities (Central Bank Notes, Special Series - NBC-E), which are actualized by the asking price of the United States dollar and pay interest semi-annually. Since May 5, 2002, in compliance with the Fiscal Responsibility Law, the Bank ceased to issue its own securities. The amounts of NBC-E Notes outstanding, distributed by maturity as at the balance sheet date, are as follows:

	Jun 30, 2006	Dec 31, 2005
1 - 6 months	6.293.811	10.874
6 - 12 months	-	6.804.726
Total	**6.293.811**	**6.815.600**

10. PROVISIONS

The Bank is reviewing its systems of control and the calculations of the provisions for legal claims as pertains both to loss probability and the estimated loss amounts. Thus, the amounts recorded under this caption are subject to alteration up to the end of the year.

11. EQUITY

Retained earnings correspond to the Bank’s accumulated result, which up to 1987 was incorporated into the Bank’s equity. The balances as at December 31, 2004 and December 31, 2005 have been adjusted due to the correction of errors in relation to the transactions with Centrus (**note 8b**).

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

12. NET INTEREST INCOME

	1st sem/2006	1st sem/2005
Foreign Currency Operations		
Interest Income	**2.777.397**	**2.173.295**
Debt Securities	1.884.253	1.186.304
Deposits	733.325	828.474
Other	159.819	158.517
Interest Expense	**(217.370)**	**(1.919.553)**
Financial Assets Sold Under Agreements to Repurchase	(132.165)	(91.893)
Loans Payable	(42.586)	(1.626.916)
Other	(42.619)	(200.744)
Net Result	**2.560.027**	**253.742**
Local Currency Operations		
Interest Income	**42.377.784**	**24.657.109**
Debt Securities Issued by the Federal Government	22.185.613	23.966.776
Credit Receivable	19.338.198	307.472
Other	853.973	382.861
Interest Expense	**(24.760.292)**	**(22.345.205)**
Debt Securities in Issue	(369.788)	(761.543)
Deposits Receivables from Financial Institutions	(4.311.800)	(4.291.568)
Financial Assets Sold Under Agreements to Repurchase	(6.208.327)	(5.575.903)
Payables to the Federal Government	(13.513.515)	(11.592.393)
Other	(356.862)	(123.798)
Net Result	**17.617.492**	**2.311.904**
Total Interest Income	**45.155.181**	**26.830.404**
Total Interest Expenses	**(24.977.662)**	**(24.264.758)**
Total Interest Result	**20.177.519**	**2.565.646**

The significant variation in interest income from credits receivable is a consequence of the adjustments made to how the receivables from financial institutions under extrajudicial liquidation are measured (**note 8**).

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

13. GAINS AND LOSSES ON FINANCIAL ASSETS CLASSIFIED AS "AT FAIR VALUE THROUGH PROFIT OR LOSS"

	1st sem/2006	1st sem/2005
Foreign Currency Operations	**(1.032.921)**	**(210.811)**
Derivatives	(2.973)	(50.096)
Debt Securities	(1.029.948)	(160.715)
Local Currency Operations	**(22.743.787)**	**1.330.807**
Derivatives	(3.803.405)	1.666.844
Receivables from financial institutions under extrajudicial liquidation	(18.940.382)	(336.037)

14. FOREIGN EXCHANGE GAINS/LOSSES AND RESULTS FROM FOREIGN CURRENCY-LINKED OPERATIONS

	1st sem/2006	1st sem/2005
Foreign Currency Operations	**(6.742.188)**	**(12.347.108)**
Debt Securities	(5.341.400)	(12.696.428)
Deposits	(1.239.050)	(9.824.849)
Loans Payable	(87.569)	10.440.474
Other	(74.169)	(266.305)
Local Currency Operations	**(1.340.210)**	**(2.489.100)**
Debt Securities Issued by the Federal Government	(1.880.307)	(4.135.474)
Debt Securities in Issue	518.693	1.568.063
Other	21.404	78.311

15. NET INCOME

In the first semester of 2006, the Bank's result was a net loss of R$12,523,956, which was mainly due to the variation of the Real against other major foreign currencies. The portion of the result due to exchange rate variation must be evaluated within the context of the government's policy of decreasing the exposure of the public sector to changes in exchange rates. This policy has as a consequence, among others, the accumulation of assets denominated in and linked to foreign currencies in the Bank's balance sheet, with the objective of reinforcing the capacity of the country to resist external shocks and also to counterbalance the impact of these shocks on foreign currency denominated liabilities of the Federal Government; mainly comprising the external debt carried by the National Treasury.

As the Brazilian Government's foreign exchange assets and liabilities are accounted for in different institutions (the Bank and the National Treasury, respectively), there exists a mismatch as to where the respective accounting results are recorded. Such results demonstrate similar magnitudes (in the opposite direction) within the financial statements of the Bank (main holder of foreign currency assets; represented by the country's international reserves and reverse foreign currency swaps) and the financial statements of the National Treasury (which maintains the foreign currency liabilities; represented mainly by the public external debt).

Thus, in the first semester of 2006, the 7.54% valuation of the Real against foreign currencies had a relatively neutral effect on the public sector; resulting in a negative result for the Bank, but having a positive effect on the external debt held by the National Treasury of a similar magnitude.

The impact of variations in the exchange rate on the public sector is being reduced significantly. For example, at the height of the sensibility of the public debt to exchange rate variations, in September of 2002, each 1% of local currency devaluation generated an increase of 0.34% in the size of the consolidated net public debt relative to GDP. Currently, this sensibility has been reduced to almost zero, and in June of 2006, each 1% of devaluation resulted in a small reduction of the public debt relative to GDP; of about 0.02%.

In accordance with applicable legislation, the National Treasury will cover the result in January of 2007 through the delivery of Debt Securities Issued by the Federal Government.

16. RELATED PARTIES

16.1 The following table demonstrates the main transactions occurring in the period between the Bank and the Federal Government:

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

	1st sem 2006	2nd sem 2005
National Treasury Operating Account		
Opening balance	208.476.268	215.211.551
remuneration	14.152.690	16.496.614
withdrawals	(30.756.515)	(23.231.897)
Closing balance	191.872.443	208.476.268
Debt Securities Issued by the Federal Government		
Opening balance	281.393.821	316.983.716
net redemptions	(3.710.973)	(61.370.611)
remuneration	20.305.306	25.513.849
mark-to-market adjustments	5.644	266.867
Closing balance	297.993.798	281.393.821
Result to be covered by the National Treasury		
Opening balance	12.904.701	11.887.500
remuneration	49.134	1.017.201
payments	(12.953.835)	-
negative result to be covered - 1st half year 2006	12.746.093	-
Closing balance	12.746.093	12.904.701
Result to be transferred to the National Treasury		
Opening balance	1.004.461	-
positive result to be transferred - 2nd half year 2005	-	1.004.461
remuneration	20.356	-
transfers	(1.024.817)	-
Closing balance	-	1.004.461
Transfer in accordance with the Federal Budget	297.375	232.075

16.2 The following table demonstrates the main transactions occurring in the period between the Bank and Centrus:

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

	1st sem 2006	2nd sem 2005
Credits Receivable		
Opening balance	1.783.157	1.747.517
interest	185.109	259.597
amounts received	(205.945)	(223.957)
Closing balance	1.762.321	1.783.157
Provision for Employer's Contribution		
Opening balance	88.994	96.145
interest	11.635	-
payments	(6.399)	(7.151)
Closing balance	94.230	88.994
Mathematical Reserves to be paid-up		
Opening balance	992.946	969.625
interest	43.779	23.321
Closing balance	1.036.725	992.946
Payment of Management Fees	-	7.812

17. OTHER INFORMATION

To increase accountability and transparency of the Bank's actions, and continuing the initiative to improve internal controls and corporate governance, three new departments have been created within the Bank, as follows:

a) Ombudsman's Office – has the function of receiving and responding to society's complaints against the Bank; with responsibility for ensuring agility and appropriates of follow-up measures taken and ensuring that the public receives rapid responses;

b) Department of Professional Conduct – has the function of receiving and analyzing complaints and denounces related to the performance and behavior of employees of the Bank; and also investigating and holding employees responsible for their actions;

c) Security Department – has the function of guaranteeing the physical safety of the people, investments and other holdings of the Bank; the new department will work to anticipate possible risks to the investments and performance capacity of the Bank.

18. FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

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

This provision was partially amended by the Fiscal Responsibility Law:

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

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

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

Therefore:

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

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

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

The Bank incurred a loss of R$11,742,676 in the first quarter of 2006 and a loss of R$781,280 in the second quarter of 2006, totaling a negative result of R$12,523,956 for the first half of the year. After realization of reserves, this result will be covered by the National Treasury not later than the tenth business day of the exercise following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the interested committees of the National Congress, an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies; and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

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

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$7,106,320 in the first quarter of 2006 and to R$6,386,840 in the second quarter of 2006 (R$13,493,160 for the semester).

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

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

The cost of maintaining the foreign exchange reserves is calculated as the difference between the yield on the international reserves and the average rate of the Bank's liabilities.

	International Reserves		Cost of Funding	Cost of maintaining international reserves	
	Average Balance (R$ '000)	Profitability (%)	(%)	(%)	(R$ '000)
1st quarter	125.351.320	(6,32)	2,35	(8,67)	(10.867.959)
2nd quarter	132.623.367	1,81	2,67	(0,86)	(1.140.561)
Total during the semester	-	-	-	-	**(12.008.520)**

In the second quarter, with an average daily balance of R$132,623,367, the international reserves yielded a positive result of 1.81%, considering the valuation of the Real against the main foreign currencies. The exclusion of the average cost of the Bank's liabilities (2.67%), resulted in a net negative result of 0.86% (R$1,140,561) on the international reserves.

d) Profitability of the securities portfolio, with emphasis on the securities issued by the National Treasury - Fiscal Responsibility Law, Article 7, Paragraph 3

	Income	Expenses	Result
1st Quarter	**12.766.021**	**(2.388.154)**	**10.377.867**
Debt Securities Issued by the Federal Government	12.164.120	(2.091.496)	10.072.624
Debt Securities in Issue	601.901	(296.658)	305.243
2nd Quarter	**12.899.455**	**(2.983.822)**	**9.915.633**
Debt Securities Issued by the Federal Government	12.259.486	(2.187.516)	10.071.970
Debt Securities in Issue	639.969	(796.306)	(156.337)
Total during the semester	**25.665.476**	**(5.371.976)**	**20.293.500**

In the second quarter, these results can be explained mainly by the following factors:

I. Debt Securities Issued by the Federal Government – the net positive result arising from transactions with these securities amounted to R$10,071,970; due primarily to interest earnings;

II. Debt Securities in Issue – the net negative result arising from transactions with these securities amounted to R$156,337; due primarily to exchange rate variation and interest for the period.

Governor of the Banco Central do Brasil

Henrique de Campos Meirelles

Board of Directors

Afonso Sant'Anna Bevilaqua

Alexandre Antonio Tombini

Antonio Gustavo Matos do Vale

João Antônio Fleury Teixeira

Mário Magalhães Carvalho Mesquita

Paulo Sérgio Cavalheiro

Paulo Vieira da Cunha

Rodrigo Telles da Rocha Azevedo

Head of the Department of Financial Administration

Jefferson Moreira – Accountant, CRC-DF 7,333

Independent Report on Review of Interim Financial Information

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

1. We have reviewed the accompanying condensed interim balance sheet of Banco Central do Brasil (the "Bank") as at June 30, 2006, and the related condensed interim statements of income, changes in equity and cash flows for the 6 month period then ended (the "interim financial information"). This interim financial information is the responsibility of the Bank's management. Our responsibility is to issue a report on this interim financial information based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. A review is limited primarily to inquiries of company personnel and discussions with managers responsible for the accounting, finance and operational areas of the Bank in respect of the principal accounting policies applied in the elaboration of the interim financial information; as well as the application of analytical procedures applied to financial data and consideration of subsequent events which could impact the operations of the Bank or the interim financial information, and thus, provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

3. As described in Note 3.11(a), the Bank is responsible for the payment of retirement benefits to employees who retired from the Bank subsequent to 1991; and who do not participate in the CENTRUS pension plan. This obligation is being settled on a monthly basis from a budget appropriation contained in the Administrative Budget. Furthermore, as described in Note 3.11(b), the Bank offers medical benefits to all of its active and retired employees, pensioners, and their dependents. The Bank has not recorded the actuarial liability related to these benefit plans, and consequently, as discussed in Note 2, the Bank has not adopted IFRS in its entirety in this interim financial information. As further discussed in Note 2, the Bank intends to implement IAS 19 – *Employee Benefits* in its first set of IFRS annual financial statements to be prepared as at December 31, 2006.

4. During 2005, the Bank implemented a new system for the management of legal claims. As mentioned in Note 10, although the Bank adopted IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, during the process of implementing the system, inconsistencies and errors were observed in the determination of loss probability and in the amount of the probable loss; which could result in the need to make adjustments to the provision for legal claims. As a consequence, we did not apply review procedures to the provision for legal claims recorded in the interim financial information; which amounted to Reais $1,251 million at June 30, 2006.

5. Based on our review, except for the matters discussed in paragraphs 3 and 4, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting*.

August 29, 2006

KPMG

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

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