BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Condensed Interim Financial Statements

June 30, 2010

BANCO CENTRAL DO BRASIL

CONDENSED INTERIM BALANCE SHEET (as at June 30, 2010)

In thousands of Reais

ASSETS	Notes	Jun 30, 2010	Dec 31, 2009
ASSETS IN FOREIGN CURRENCIES		**491,904,828**	**429,635,304**
Cash and Cash Equivalents		14,411,121	13,864,571
Time Deposits Placed with Financial Institutions	**4**	47,824,347	12,426,729
Financial Assets Purchased Under Resell Agreement		5,824,078	6,048,730
Derivatives		43,483	68,364
Debt Securities	**5**	412,187,726	385,906,479
Credits Receivables	**6**	1,039,844	951,839
Gold		2,420,844	2,045,440
Investments in International Financial Organizations		8,153,374	8,323,152
Other		11	-
ASSETS IN LOCAL CURRENCY		**718,749,717**	**727,960,902**
Cash and Cash Equivalents		22	31
Deposits		613,404	612,245
Debt Securities	**5**	680,944,701	640,215,918
Receivables from the Federal Government	**7**	1,908,584	53,932,939
Credits Receivables	**6**	30,796,042	28,964,668
Property, Plant and Equipment		771,168	780,498
Other		3,715,796	3,454,603
TOTAL		**1,210,654,545**	**1,157,596,206**

LIABILITIES	Notes	Jun 30, 2010	Dec 31, 2009
LIABILITIES IN FOREIGN CURRENCIES		**43,604,926**	**21,352,204**
Items in the Course of Collection	**8**	23,350,220	391,691
Deposits Received from Financial Institutions		1,281	470
Financial Assets Sold Under Repurchase Agreement		5,869,679	6,048,448
Derivatives		41,244	63,055
Accounts Paybale		7,784,377	8,121,885
Deposit Received from International Financial Organizations		6,558,060	6,725,871
Other		65	784
LIABILITIES IN LOCAL CURRENCY		**1,026,992,522**	**984,284,167**
Items in the Course of Collection		285,683	247,446
Deposits Received from Financial Institutions	**9**	260,594,355	97,077,510
Financial Assets Sold Under Repurchase Agreement	**10**	378,441,750	454,709,678
Payables to the Federal Government	**7**	368,184,773	413,807,893
Accounts Paybale		1,342,807	1,211,601
Deposit Received from International Financial Organizations		610	566
Provision		18,110,865	17,206,482
Other		31,679	22,991
CURRENCY IN CIRCULATION	**11**	**120,771,511**	**131,861,185**
NET EQUITY		**19,285,586**	**20,098,650**
Capital		24,675,451	24,675,451
Income Reserve		1,606,019	1,606,019
Revaluation Reserve		463,298	466,440
Gains (Losses) Recognized Directly in Equity	**12**	(7,459,182)	(6,649,260)
TOTAL		**1,210,654,545**	**1,157,596,206**

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

CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2010

In thousands of Reais

	Notes	1st sem/2010	1st sem/2009
Interest income		36,293,447	27,237,374
Interest expenses	13	(43,024,024)	(44,324,561)
(=) Net interest income		(6,730,577)	(17,087,187)
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - held for trading	14	15,926,883	20,169,687
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - designated by management	15	1,831,373	(271,894)
Gains (losses) on foreign exchange	16	257,029	(3,310,964)
Other income		861,297	825,209
Other expenses		(1,342,810)	(1,266,452)
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**17.1**	**10,803,195**	**(941,601)**

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - 1st SEMESTER OF 2010

In thousands of Reais

	Notes	1st sem/2010	1st sem/2009
INCOME STATEMENT FOR THE SEMESTER	**17.1**	**10,803,195**	**(941,601)**
Available-for-sale Financial Assets	**12**	**(809,922)**	**(393,220)**
Gains (Losses) recognized in Equity		(704,973)	(169,488)
(Gains) Losses transferred to Income		(104,949)	(223,732)
Others		**-**	**(3,142)**
NET COMPREHENSIVE INCOME FOR THE SEMESTER	**17.2**	**9,993,273**	**(1,337,963)**

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2010
In thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CAPITAL	NET EQUITY
Balance as at December 31, 2009		**1,606,019**	**466,440**	**(6,649,260)**	**24,675,451**	**20,098,650**
Realization of Revaluation Reserves		-	(3,142)	-	3,142	-
Gains (Losses) recognized in Equity	**12**	-	-	(809,922)	-	(809,922)
Net income (loss) for the semester	**17.1**	-	-	-	10,803,195	10,803,195
Result to be transferred to the National Treasury	**7**	-	-	-	(10,806,337)	(10,806,337)
Balance as at June 30, 2010		**1,606,019**	**463,298**	**(7,459,182)**	**24,675,451**	**19,285,586**
Balance as at December 31, 2008		**1,606,019**	**472,725**	**(923,561)**	**13,072,428**	**14,227,611**
Realization of Revaluation Reserves		-	(3,142)	-	3,142	-
Gains (Losses) recognized in Equity		-	-	(393,220)	-	(393,220)
Net income (loss) for the semester		-	-	-	(941,601)	(941,601)
Result to be transferred to the National Treasury		-	-	-	938,459	938,459
Balance as at June 30, 2009		**1,606,019**	**469,583**	**(1,316,781)**	**13,072,428**	**13,831,249**

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

CONDENSED INTERIM CASH FLOW STATEMENT - 1st SEMESTER OF 2010
In thousands of Reais

	1st sem/2010	1st sem/2009
NET CASH FLOW FROM OPERATING ACTIVITIES	**471,592**	**13,373,213**
Interest received	3,875,244	6,438,891
(Purchase) sales of securities	1,224,831	(3,173,183)
Purchases (sales) of foreign currencies	34,045,810	4,786,536
(Placement) redemptions of repurchase and reverse repurchase transactions	(10,028,960)	(8,560,839)
(Placement) redemptions of time deposits	(29,757,759)	2,038,873
(Granting) redemptions of credits receivable	1,375,417	11,617,093
Derivatives	(282,234)	115,628
Other (payments) receipts	19,243	110,214
NET CASH FLOW	**471,592**	**13,373,213**
CHANGE IN CASH AND CASH EQUIVALENTS	**471,592**	**13,373,213**
Cash and cash equivalents at the beginning of the period	13,864,571	5,298,870
Cash and cash equivalents at the end of the period	14,411,121	17,397,722
Effect of exchange rate changes on cash and cash equivalents	74,958	(1,274,361)

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

1 - BANCO CENTRAL DO BRASIL AND ITS ATRIBUTIONS

Banco Central do Brasil (the "Bank"), established on December 31, 1964 with the enactment of the Law 4.595, is an autonomous federal institution that forms part of the National Financial System. The Bank's mission is to ensure the stability of the Brazilian currency purchasing power and the soundness of the National Financial System. The Bank's head office is located in Brasilia, DF, at Setor Bancário Sul – Quadra 3, Bloco B, and it has offices in nine other units of the federation.

As determined by Law 4.595/1964, the National Monetary Council (CMN) approved these financial statements on August 25, 2009. The financial statements are available on the Bank's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The condensed interim financial statements as at June 30, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB, in conformity with International Accounting Standard – 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 December 31, 2009.

IFRS 9 – Financial Instruments, whose application is mandatory for annual periods beginning on or after 1st January 2013 with earlier application permitted has not been applied to these condensed financial statements by management's decision, on the grounds that:

a) the replacement of IAS 39 – Financial Instruments – Recognition and Measurement will occur in three phases, as follows:

   – Phase 1: classification and measurement;

   – Phase 2: impairment; and

   – Phase 3: hedge accounting;

b) just the first of the three phases has been partially concluded, being the other phases expected to be concluded during the course of 2011; and

c) the partial review of the accounting for financial instruments could bring some grade of distortion to the Bank's financial statements.

In view of that and also due to the fact that financial instruments are virtually the totality of the assets and liabilities held by the institution, it is not possible to predict a transition date for the adoption of IFRS 9, let alone to assess the effects stemming from the adoption.

3 - PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below represent a summary of the most significant accounting principles used by the Bank, which have been consistently applied to the comparative financial information.

3.1. Determination of profit and loss

The Bank's profit and loss is determined semi-annually on an accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of a net loss (notes 17.1 and 19.a).

3.2. Recognition of interest income and expenses

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

(Unless otherwise stated, amounts are expressed in thousands of Reais) 7

Interest income and expenses presented in the Income Statement include interest income and expenses on all of the Bank's financial assets and liabilities that are not classified as "At Fair Value through Profit or Loss".

3.3. Assets and liabilities denominated in foreign currencies

The functional and reporting currency of the Bank's financial statements is the Real. Foreign currency transactions are translated into the Real at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are monthly translated to the Real using month-end exchange rates, with the resulting gains or losses recognized in the Income Statement. The following table presents the foreign exchange rates used on the financial statements dates:

	Jun 30, 2010	Dec 31, 2009
Dollar	1.8011	1.7408
Euro	2.2038	2.5066
SDR	2.6637	2.7191
Gold (fine troy ounces)	2,235.7054	1,893.1200

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

The exchange rates used are those published by the Bank, with the exception of the Gold exchange rate, which is the London Stock Exchange's PM Fixing converted into Real via the dollar exchange rate used at the financial statements dates.

3.4. Financial Assets and Liabilities

3.4.1 Recognition

Financial assets and liabilities are recognized at their fair values on the respective trade date, i.e. on the date the entity undertakes to the sale or purchase of the instrument. For those instruments that are not classified as "At Fair Value through Profit or Loss", this amount includes all the costs incurred in the transaction.

3.4.2 Derecognition

Financial assets are derecognized when they are effectively settled, when there is no expectation of realization or in the event of loss of the right of realization.

Financial liabilities are derecognized when the obligations are settled, cancelled or have expired.

The Bank engages in transactions in which it transfers its financial assets to other parties, while holding the control of such assets by means of retaining the risks and the rights to the income and expenses generated. Consequently, these assets are not derecognized. The main transactions with these characteristics are repurchase agreements and securities lending operations.

3.4.3 Offsetting of assets and liabilities

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

3.4.4 Classification of Financial Instruments

When financial assets are acquired, they are classified into one of the following categories: “At Fair Value through Profit or Loss”, “Held-to-maturity”, “Loans and Receivables” or “Available-for-sale”. After the initial recognition, financial assets are measured in accordance with the classification, as follows:

a) “At Fair Value through Profit or Loss”

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

- if there is a management’s intention to trade the financial asset in the near-term;
- if the financial instrument is a derivative;
- when so designated by the management due to the fact that this classification results in more relevant information, and provided that the financial assets are part of a portfolio evaluated and managed on a fair value basis;

b) Held-to-maturity

This category includes non-derivative financial assets for which the Bank has the intent and ability to hold until maturity. These assets are carried at amortized cost and the related interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis;

c) Loans and Receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost and the related interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis;

d) Available-for-sale

This category includes non-derivative financial assets that are not classified into other categories, since the management does not have a specific intention with regard to either maintaining or disposing of the financial asset. These assets are measured at their fair values, with gains and losses recognized in equity. Once gains and losses are effectively realized, they are recognized in the income statement. However, the interest on these assets, which is calculated using the effective interest rate, is recognized in the income statement on an accrual basis;

3.4.5 Measurement

Fair value is the market value published by primary depository trust companies (custodians) or economic information providers. For financial instruments with no active market, fair value is calculated using pricing models, which include the prices of the most recent trades, discounted cash flows and the fair value of similar financial instruments. The pricing models used are certified by a multi-departmental committee, which also suggests new methodologies or improvements.

Amortized cost is the book value on the recognition date, adjusted by the accrued interest based on the contractual interest rate using the effective interest rate method, less any contingent amortizations and any impairment losses recognized.

The following table presents a summary of the main financial instruments and their classifications:

Assets in Foreign Currencies	Category	Measurement Basis / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Time Deposits at Financial Institutions	Loans and Receivables	Amortized Cost
Time Deposits at Financial Institutions - Outsourced Administration	At Fair Value through Profit or Loss	Fair Value - Manager
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Credits Receivable	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	Fair Value - PM fixing - London Stock Exchange
Investment in International Financial Organizations	Available-for-sale	Fair Value - Redemption value in Reais

Assets in Local Currency	Category	Measurement Basis / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Deposits	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&FBovespa Exchange
Federal Government Debt Securities - LTN	Available-for-sale	Fair value - Ambima
Federal Government Debt Securities - except LTN	Held-to-maturity	Amortized Cost
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivable - Financial Institutions under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair Value - Fair value of the guarantees
Credits Receivable - Others	Loans and Receivables	Amortized Cost

Liabilities in Foreign Currencies	Category	Measurement Basis / Source of Information
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

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

3.4.6 Impairment of financial assets

In order to verify if there is evidence of impairment of any of its financial assets, the Bank prepares, at least semi-annually, an impairment evaluation.

The Bank only considers objective evidence of impairment the events occurred after the initial recognition of financial assets that have an impact on estimated future cash flows and provided that such impact may be reliably estimated. The Bank considers, among others, the following types of events:

a) financial difficulties of the issuer or obligor;

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

c) renegotiations or granting of discounts;

d) extrajudicial liquidation, bankruptcy and financial reorganization;

e) the disappearance of an active market due to financial difficulties of the issuer.

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

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

For assets classified as "Available-for-sale", when there is objective evidence of impairment, the accumulated loss recognized in equity is transferred to the income statement, even though the loss has not been effectively realized.

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

If in subsequent periods the asset's receiving conditions change, and this modification determines a reversion of a previously recognized impairment loss, the reversal is recognized as a gain, except for equity investments, whose previously recognized impairment losses cannot be reversed.

3.4.7 Derivatives

Derivatives are recognized at fair value on their respective trade dates and are shown as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank does not apply hedge accounting as contemplated in IAS 39 – Financial Instruments: Recognition and Measurement, and thus, recognizes all gains and losses in the Income Statement.

3.5. Property, plant and equipment

Land, buildings and equipment acquired for own use, as well as the collection of works of art and precious metals, are recorded at historical cost (or deemed cost) less accumulated depreciation, when applicable. Costs include all expenses directly attributable to the acquisition or construction of the asset. Further expenditures are capitalized only when it is probable that future economic benefits associated to the item will flow to the Bank and these benefits can be reliably estimated. Maintenance and repair expenses related to the asset are expensed as incurred.

Land, works of art and precious metals in several forms held by the Bank are not subject to depreciation. All other assets are depreciated on a straight-line basis considering the following useful lives:

a) buildings: 62.5 years

b) equipment and furniture:

   - computer equipment and vehicles: 5 years

   - other equipment and furniture: 10 years.

3.6. Provisions

3.6.1 Legal Claims

The Bank recognizes a provision for legal claims when it is probable that an outflow of economic resources will be necessary to their settlement and a reliable estimate of the amount can be made. When an outflow of economic resources is not probable but only possible no provision is established.

3.6.2 Post-employment benefits

The Bank sponsors post-employment plans for retirement, pensions and health care benefits. All of them are in the form of defined benefits.

A defined benefit plan predetermines the value of the employee's benefit at the moment of retirement, based upon one or more factors, such as age and period of contribution.

The provision recorded in the balance sheet is the present value of the obligations minus the fair value of the assets of the plans. Annually, independent actuaries calculate the value of the obligations.

The actuarial surplus recorded in the balance sheet refers to the excess of plan assets over the plan obligations in the Centrus Plan – Fundação Banco Central de Previdência Privada, about which there is an actual expectation of recuperation. The expectation stems from the following facts:

a) there is no longer the possibility of admission of new beneficiaries sponsored by the Bank, which will lead to the extinction of the Plan's purpose with the death of the last beneficiary or dependent, with the consequent return of the actuarial surplus to the sponsor; and

b) according to the sole paragraph of article 13 of Complementary Law 108, of May 29 2001, any improvement in benefits or any reversion of amounts to participants, beneficiaries or to the sponsor, should be preceded by a favorable manifestation from the Bank.

3.7. Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax immune as regards to its results arising from the exercise of its regular activities, but is, otherwise, required to withhold taxes from services rendered by third parties.

3.8. Cash Flow Statement

The main purpose of the Cash Flow Statement is to demonstrate an entity's capacity to generate cash so as to meet its liquidity needs. Since the Bank is the institution that provides liquidity to the National Financial System, having the right to issue currency into circulation, the Bank's management understands that the Statement of Cash Flows should contemplate only its foreign currencies operations, which are outside the limits of the Bank's prerogative to issue.

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

4 - DEPOSITS

The item comprises the portion of the international reserves that the Bank maintains in financial institutions as fixed-term deposits, in accordance with its risk management policy.

The variation in the balance observed in the period results from the following factors: (i) increase in the amount of international reserves; (ii) increase in the levels of investments due to more flexible guidelines for investment, after the peak of the crisis, relating to volume and entity-related limitation referring to operations with central banks and the Bank for International Settlements – BIS; and (iii) settlement of the operations of foreign exchange loans (note 6.1), whose resources were partially reallocated to deposits.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 12

5 - DEBT SECURITIES

5.1. In foreign currencies

	Jun 30, 2010	Dec 31, 2009
Uncommitted Securities	**393,622,043**	**380,375,005**
1 month	17,110,346	134,570
1 - 6 months	36,958,957	75,675,037
6 - 12 months	10,579,933	7,325,789
1 - 5 years	315,102,945	288,875,799
more than 5 years	13,869,862	8,363,810
Securities linked to Repurchase Agreements	**903,355**	**5,531,474**
1 - 5 years	903,355	5,531,474
Securities sold – to be delivered	**1,556,358**	**-**
1 - 5 years	1,184,623	-
more than 5 years	371,735	-
Securities bought – to be received	**16,105,970**	**-**
1 - 6 months	10,794,144	-
6 - 12 months	3,590,545	-
1 - 5 years	1,008,834	-
more than 5 years	712,447	-
Total	**412,187,726**	**385,906,479**

These securities are fixed rate debt securities, issued by national treasuries, supranational or multilateral organisms or governmental agencies, acquired by the Bank in accordance to its investment policy. The portfolio is part of the international reserves and its main objectives are the diversification of the types of investments and risks, the increment of the portfolio profitability and the maintenance of several grades of liquidity.

These securities are classified as “At Fair Value through Profit and Loss”. The table below shows the cost and the carrying amount of these assets, after the mark-to-market adjustments:

	Jun 30, 2010	Dec 31, 2009
Amortized Cost	406,673,022	383,063,041
Mark-to-market Adjustment	5,514,704	2,843,438
Carrying Amount	**412,187,726**	**385,906,479**

The variation in the balance of the securities portfolio occurred due to the depreciation of the Real in relation to the US dollar (note 3.3.), the currency in which a relevant part of the securities portfolio is denominated, and also due to the increase in the amount of the international reserves in the period.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 13

5.2. In local currency

Jun 30, 2010

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**29,846,589**	**1,473,753**	**18,634,082**	**137,284,612**	**115,146,581**	**302,385,617**
LTN	21,984,289	-	1,173,225	15,742,460	-	38,899,974
LFT	-	-	10,595	39,254,027	4	39,264,626
NTN-B	-	1,473,753	7,008,746	52,967,426	85,696,672	147,146,597
NTN-F	7,862,300	-	10,441,516	29,320,699	29,449,905	77,074,420
Securities linked to Repurchase Agreements	**-**	**13,263,760**	**71,105,220**	**233,974,276**	**60,206,742**	**378,549,998**
LTN	-	-	27,682,670	42,475,605	-	70,158,275
LFT	-	-	39,107,870	151,320,702	23,504,154	213,932,726
NTN-B	-	13,263,760	3,708,252	21,312,760	23,613,752	61,898,524
NTN-F	-	-	606,428	18,865,209	13,088,836	32,560,473
Untradable securities	**-**	**8,895**	**-**	**-**	**191**	**9,086**
NTN-P	-	8,895	-	-	191	9,086
Total	**29,846,589**	**14,746,408**	**89,739,302**	**371,258,888**	**175,353,514**	**680,944,701**

Dec 31, 2009

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**38,943,310**	**377,062**	**8,506,717**	**80,627,225**	**56,466,871**	**184,921,185**
LTN	29,980,256	377,062	627,718	6,913	-	30,991,949
LFT	-	-	-	7,149,119	6,045,746	13,194,865
NTN-B	-	-	100,617	28,644,583	31,322,503	60,067,703
NTN-F	8,963,054	-	7,778,382	44,826,610	19,098,622	80,666,668
Securities linked to Repurchase Agreements	**-**	**14,313,036**	**34,496,149**	**320,348,147**	**86,128,587**	**455,285,919**
LTN	-	14,313,036	20,434,539	66,713,349	-	101,460,924
LFT	-	-	-	201,212,816	28,373,525	229,586,341
NTN-B	-	-	14,061,610	38,500,617	51,980,009	104,542,236
NTN-F	-	-	-	13,921,365	5,775,053	19,696,418
Untradable securities	**-**	**-**	**8,629**	**-**	**185**	**8,814**
NTN-P	-	-	8,629	-	185	8,814
Total	**38,943,310**	**14,690,098**	**43,011,495**	**400,975,372**	**142,595,643**	**640,215,918**

The Bank attempts to manage its securities portfolio so as to have adequate instruments for the implementation of monetary policy, i.e. the fulfillment of transactions of purchase and sale of securities, which can be either a final sale or a commitment under agreement. Thus the composition of the portfolio tends to follow the profile of the debt held by the public, and for this, when the securities in its portfolio reach the maturity date, the Bank rebuilds its portfolio through public offerings of the National Treasury. These operations are always carried out at the average price paid by the other players of the market.

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

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	Jun 30, 2010			Dec 31, 2009		
	Amortized Cost	Mark-to-market Adjustment	Carrying Amount	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
Available-for-sale	**109,336,404**	**(278,155)**	**109,058,249**	**131,889,464**	**563,409**	**132,452,873**
LTN	109,336,404	(278,155)	109,058,249	131,889,464	563,409	132,452,873
Held-to-maturity	**571,886,452**	**-**	**571,886,452**	**507,763,045**	**-**	**507,763,045**
LFT	253,197,352	-	253,197,352	242,781,206	-	242,781,206
NTN-B	209,045,121	-	209,045,121	164,609,939	-	164,609,939
NTN-F	109,634,893	-	109,634,893	100,363,086	-	100,363,086
NTN-P	9,086	-	9,086	8,814	-	8,814
Total	**681,222,856**	**(278,155)**	**680,944,701**	**639,652,509**	**563,409**	**640,215,918**

The variation observed in the federal government securities portfolio is a result of the issuance of securities by the National Treasury in favor of the Bank, in order to cover the result of the foreign exchange equalization operation reckoned for the 2nd semester, 2009 (note 18.1), as well as the related interest accrued (note 13), partially compensated by the redemption of securities during the period.

6 - CREDITS RECEIVABLE

6.1. In Foreign Currencies

	Jun 30, 2010	Dec 31, 2009
Note Purchase Agreement	1,039,183	-
Loans collateralized by other assets	-	949,481
Loans collateralized by receivables from domestic companies	-	1,815
Other Credits Receivable	661	543
Total	**1,039,844**	**951,839**

The balance of credits receivable in foreign currencies, in June 30, 2010 refers, basically, to the Bank's participation in the Note Purchase Agreement – NPA, a mechanism by means of which the country invests in notes issued by the International Monetary Fund – IMF so as to provide resources to countries experiencing difficulties in their Balance of Payments.

The Agreement signed in January 21, 2010, establishes the availability, for a two-year period, of up to US$10 billion to be invested in SDR-denominated Notes issued by the IMF remunerated by SDR rates. The Notes matures in three months and is automatically renewed for additional periods of three months until five years of issue date, unless the IMF manifests otherwise. The issuance calendar for the Notes will be informed by the IMF every three months, and it is subject to a weekly limit of SDR400 million. Furthermore, the IMF Note has a call feature, which allows for partial or total settlement of the debt, upon previous consultation to the bearer of the Note.

It is important to highlight that the loans in foreign currencies carried out by the Bank in order to provide liquidity to the National Financial System, during the international financial crisis were settled in the 1st semester of 2010.

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6.2. In local currency

Jun 30, 2010

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit or loss - Designated by management	**59,166,347**	**(29,029,113)**	**30,137,234**
Banco Nacional - Under extrajudicial liquidation	29,248,290	(13,624,748)	15,623,542
Banco Econômico - Under extrajudicial liquidation	24,475,744	(11,919,990)	12,555,754
Banco Mercantil - Under extrajudicial liquidation	2,017,968	(60,030)	1,957,938
Banco Banorte - Under extrajudicial liquidation	723,023	(723,023)	-
Banco Bamerindus - Under extrajudicial liquidation	2,701,322	(2,701,322)	-
Loans and Receivables	**658,808**	**-**	**658,808**
Loans related to rural credit	362,903	-	362,903
Centrus	271,892	-	271,892
Other	24,013	-	24,013
Total	**59,825,155**	**(29,029,113)**	**30,796,042**

Dec 31, 2009

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit or loss - Designated by management	**57,115,472**	**(28,809,611)**	**28,305,861**
Banco Nacional - Under extrajudicial liquidation	28,421,608	(12,737,291)	15,684,317
Banco Econômico - Under extrajudicial liquidation	23,399,499	(12,592,736)	10,806,763
Banco Mercantil - Under extrajudicial liquidation	1,881,181	(66,400)	1,814,781
Banco Banorte - Under extrajudicial liquidation	716,629	(716,629)	-
Banco Bamerindus - Under extrajudicial liquidation	2,696,555	(2,696,555)	-
Loans and Receivables	**658,807**	**-**	**658,807**
Loans related to rural credit	362,773	-	362,773
Centrus	267,500	-	267,500
Other	28,534	-	28,534
Total	**57,774,279**	**(28,809,611)**	**28,964,668**

6.2.1 At Fair Value through Profit and Loss – Designated by management

a) Credit characteristics and conditions

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

These receivables are adjusted based on the sole paragraph of Article 124 of Law 11.101, of February 9 2005 (Bankruptcy Law), in which the portion of the receivables balances attributable to the PROER loans are updated by the contractual rates up to limits of the collateral on the loans, and the remaining balances by the Referential Rate (TR), considering that the contractual rates arise from the collateral on the original credits.

The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6.024, of March 13 1974) and the Bankruptcy Law. This legislation determines, among others:

- the suspension of the previously stated periods for the settlement of the obligations;

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- that the payment of the liabilities shall be made in accordance with the priority of lien established by law, as follows: expenses essential to the liquidation, wages claims, secured creditors, tax liabilities and unsecured creditors;

- the establishment of a general table of creditors as a means to identity all of the creditors of the institution, the effective values of their credits and their position in the order of preference to receive payments for these credits;

- the procedures necessary to realize the assets of the institution, for example, the form of sale (i.e. direct sale or auction, sales of individual assets or groups of assets).

Since the extrajudicial liquidation process is set forth, the amortizations were allocated against the receivables originated from the financial assistance provided to the institutions (PROER). It is important to note that these amounts are subject to changes in those cases in which the option legally granted to the debtors, allowing them, in the existence of more than a single debt balance with different characteristics, to opt for the one that is most convenient in the circumstances. However, the amount recorded represents the best possible estimate at the time of the evaluation.

In view of these characteristics, the timing of the realization of these assets cannot be precisely determined, although it is important to note that the majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees, without prejudice to any legal and administrative actions so as to collect the residual credit.

b) Classification and measurement

These credits are classified as "At Fair Value through Profit or Loss" due to management's view that this classification results in more relevant information, considering the following characteristics:

- they comprise a portfolio of assets with the same origin – arising from the Bank's actions as supervisor of the National Financial System;

- for management and accounting purposes, since 1999, these assets have been evaluated on the basis of their realizable values. This form of evaluation reflects the objectives of the Bank when dealing with extrajudicial liquidation processes, which are to conclude the processes in the least possible period of time and with the least amount of costs to the monetary authority and to depositors and investors.

The fair value of these credits is measured based on the fair value of the original collateral, excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes).

Specifically in relation to FCVS/CVS collaterals, due to the lack of an active market which could provide fair value information, from the 1st semester of 2010 onwards, these guarantees started to be assessed by means of a price model based on market referential rates provided by the Stock, Futures and Commodities Exchange – BM&F Bovespa.

7 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Assets	Jun 30, 2010	Dec 31, 2009
Foreign exchange equalization	1,893,172	53,931,576
Other	15,412	1,363
Total	**1,908,584**	**53,932,939**

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Liabilities	**Jun 30, 2010**	**Dec 31, 2009**
National Treasury Operating Account	356,522,113	406,354,420
Result to be transfered to the National Treasury	10,806,337	6,553,787
Other	856,323	899,686
Total	**368,184,773**	**413,807,893**

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in note 18.1.

8 - ITEMS IN THE COURSE OF COLLECTION

These items refer to operations in foreign currency, mainly sales of foreign currency debt securities that are pending settlement as at the reporting date, whose settlement will occur in up to two or three days (note 5.1).

9 - DEPOSITS OF FINANCIAL INSTITUTIONS

	Jun 30, 2010	**Dec 31, 2009**
Demand Deposits	38,856,458	34,211,650
Term Deposits	62,272,861	11,826
Savings Deposits	64,175,037	60,008,735
Additional Requirements	92,700,586	-
Other	2,589,413	2,845,299
Total	**260,594,355**	**97,077,510**

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

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

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

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

b) on term deposits – 15% of term deposits (excluded R$30,000), must be maintained at the Bank in an account remunerated by the Selic rate, granted other additional deductions linked to: (i) to Regulatory Capital – Level I (PR1) of financial institutions; and (ii) to acquisitions of assets and investments in inter-financial deposits with financial institutions whose PR1 is less than R$2,500,000;

c) on savings deposits – 20% of savings account deposits (or 15% of rural savings account) must be maintained at the Bank in an interest-bearing account (TR plus 6.17% p.a. for free savings, retirement-earmarked savings and the rural savings categories and TR plus 3% p.a. for earmarked savings).

d) additional requirements – additional reserve requirements on the total demand deposits (8%), term deposits (8%) and savings deposits (10%), subject to deductions which vary according to the institution's PR 1, bearing the SELIC interest rate.

The change in the balance of Deposits of Financial Institutions during the 1st semester, 2010, is associated to the increase in the percentage applied to deposits, the change in form of collection of the reserve requirements and the reduction of the admissible deductions applied in the calculations of reserve requirements on Term Deposits and Additional Requirements, as shown in the table that follows:

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	Jun 30, 2010	Dec 31,2009
Time deposits		
Reducer	30,000	30,000
Percentage	15%	13.5%
Form of collection	Cash	55% in Cash; and 45% in Federal public securities
Interest	Selic rate	in Cash - no interest; and in Federal public securities - Federal public securities interest
Deduction [1]		
- Linked to the institutions PR 1		
. Institutions with PR 1 inferior to R$2,000,000	2,000,000	2,000,000
. Institutions with PR 1 equal or superior to R$2,000,000 and inferior to R$5,000,000	1,500,000	2,000,000
. Institutions with PR 1 equal or superior to R$5,000,000	-	2,000,000
- Linked to asset acquisitions and investments in interfinancial deposits [(2)]	Limited to 45% of the value to be collected	Limited to the parcel collected in cash
Additional requirement		
Percentage - Demand deposits	8%	5%
Percentage - Time deposits	8%	4%
Percentage - Savings deposits	10%	10%
Form of collection	Cash	Federal public securities
Interest	Selic rate	Securities profitability
Deduction [1]		
- Linked to the institutions PR 1		
. Institutions with PR 1 inferior to R$2,000,000	2,000,000	1,000,000
. Institutions with PR 1 equal or superior to R$2,000,000 and inferior to R$5,000,000	1,500,000	1,000,000
. Institutions with PR 1 equal or superior to R$5,000,000	-	1,000,000

(1) Only collection of the parcel that exceeds the amount specified.
(2) Applied only to operations with institutions with PR 1 inferior to R$2,500,000.

10 - REPURCHASE AGREEMENT

	Jun 30, 2010	Dec 31,2009
Repurchase Agreement (Repo)		
Securities	378,441,750	454,709,678
Collateral	**379,877,539**	**457,316,991**
Transactions of collateral allowed	94,359,743	79,443,490
Transactions of collateral not allowed	285,517,796	377,873,501

The reduction in the balance of repurchase agreement operations in the period occurred mainly on account of the changes in reserve regulations (note 9) whose effects were attenuated by the increase in the liquidity level of the market due to the net redemption of federal government debt securities held by the market, including the payment of interest and also the carrying out of foreign currency auction-mode purchases in the interbank market.

11 - CURRENCY IN CIRCULATION

The variation in the balance of currency in circulation in the 1st semester of 2010 is associated to a usual behavior reflected in the demand for currency in this period, i.e., the reversion of a typically seasonal increase in demand for currency caused by the end-of-year festivities and the payment of the 13th Salary.

12 - GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY

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

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	1st sem/2010	2nd sem/2009
Federal Government Debt Securities		
Opening balance	2,816,665	4,194,135
Mark-to-market adjustments	(841,565)	(1,225,718)
Write-off	(104,949)	(151,752)
Closing balance	1,870,151	2,816,665
Gold		
Opening balance	1,875,652	1,573,725
Mark-to-market adjustments	306,369	301,927
Closing balance	2,182,021	1,875,652
Quotas of International Financial Organizations		
Opening balance	(5,590,421)	(4,642,757)
Mark-to-market adjustments	(169,777)	(947,664)
Closing balance	(5,760,198)	(5,590,421)
Actuarial gains (losses)		
Opening balance	(5,751,156)	(2,441,884)
Actuarial gains (losses) in period	-	(3,309,272)
Closing balance	(5,751,156)	(5,751,156)
TOTAL	**(7,459,182)**	**(6,649,260)**

The variation observed in Gains (Losses) Recognized Directly in Equity, in the 1st semester of 2010, occurred because of the negative net adjustment of “Available-for-sale” financial assets. On the one hand, federal public securities and the quotas of international financial organizations showed a negative adjustment, caused by the increase of rates practiced in the secondary market and also by the appreciation of the Real in relation to the SDR, respectively. On the other hand, investment in gold showed a positive adjustment, of a lesser proportion, on account of its price increase in the financial market (note 3.3).

13 - NET INTEREST INCOME

The net interest income comprises interest income and expenses related to financial assets and liabilities not classified into the “At Fair Value through Profit or Loss” category.

	1st sem/2010	1st sem/2009
Interest income	**36,293,447**	**27,237,374**
Foreign Currency Operations	**74,052**	**288,576**
Local Currency Operations	**36,219,395**	**26,948,798**
Debt Securities	34,414,634	26,436,420
Federal Government	1,421,671	-
Other	383,090	512,378
Interest expenses	**(43,024,024)**	**(44,324,561)**
Foreign Currency Operations	**(11,292)**	**(465,339)**
Local Currency Operations	**(43,012,732)**	**(43,859,222)**
Deposits Received from Financial Institutions	(5,427,608)	(1,850,507)
Committment under agreements	(19,040,486)	(22,027,049)
Federal Government	(17,517,159)	(19,120,047)
Other	(1,027,479)	(861,619)
Net interest income	**(6,730,577)**	**(17,087,187)**

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The variation in the net interest income in relation to the 1st semester of 2009 is mainly due to the increase of the local currency securities operations income on account of the increment of the average balance of federal public securities portfolio. It is worth to highlight that:

a) the increase in the interest expenses with deposits of financial institutions because of the increase in the balance of these reserve requirements collected by the Bank and also on the account of the remuneration by the Selic-rate of the ones collected in cash (note 9); and.

b) the reduction of interest expenses with the remuneration of commitments under agreements and with the remuneration of transactions with the federal government as a result of the reduction of the volume of such commitments under agreements performed by the Bank in the administration of market liquidity (note 10) and also on account of the reduction of the balance of the National Treasury operating account (note 7).

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

It refers to price changes of assets classified in this category and includes the exchange rate, the interests and the mark-to-market adjustments.

	1st sem/2010	1st sem/2009
Foreign Currency Operations	**14,033,725**	**(75,915,266)**
Debt securities	14,010,463	(75,497,306)
Other	23,262	(417,960)
Local Currency Operations	**1,893,158**	**96,084,953**
Derivatives	1,893,172	96,084,949
Other	(14)	4
Total	**15,926,883**	**20,169,687**

The following explains the most relevant variations observed in the period:

a) debt securities in foreign currency – the variation is due, mainly, to the effects of the depreciation of the Real in relation to the US dollar in the 1st semester, 2010 (note 3.3), the currency in which the main part of the reserves is denominated. In contrast, in the 1st semester of 2009, an opposite and broader variation in exchange rates was observed; and

b) local currency derivatives – the variation stems from the positive result, of a lesser magnitude, with the foreign exchange equalization operation (note 17.1).

15 - GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS "AT FAIR VALUE THROUGH PROFIT OR LOSS" – DESIGNATED BY MANAGEMENT

This item includes the interest accrual and the mark-to-market adjustments of the receivables from financial institutions under extrajudicial liquidation. The variation observed in the period basically derived from the appreciation in the value of the original collaterals, as well as of the reduction in balances of the preferential credits (note 6.2.b).

16 - GAINS (LOSSES) FROM FOREIGN EXCHANGE

This item refers to the foreign exchange variation on assets and liabilities denominated in foreign currencies and assets and liabilities in local currency, but linked to foreign exchange variations, that are not classified as "At Fair Value through Profit or Loss".

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	1st sem/2010	1st sem/2009
Gains (losses) from foreign exchange		
Cash and Cash Equivalents	74,956	(1,274,361)
Committment under agreements	(38,538)	(1,284,188)
Credits Receivable	10,552	(2,750,328)
Gold	69,035	(376,813)
Items in the course of collection	(211,123)	418,211
Liabilities to International Financial Organizations	144,223	1,816,221
Other	207,924	140,294
Total	**257,029**	**(3,310,964)**

The variation in the balance of gains (losses) from foreign exchange in the period is mainly due to the effect of the depreciation of the Real in relation to US dollar in the 1st semester of 2010, while in the 1st semester of 2009 a broader and converse movement of foreign exchange rates was observed. Specifically, in relation to liabilities to international financial organizations (SDR-denominated liabilities) the variation is justified by the appreciation of the Real in relation to the SDR, in a lesser degree than the one verified in the same period, of 2009 (note 3.3).

17 - NET INCOME

17.1. Profit and Loss of the period

The positive result of the period was R$10,803,195 (a negative result of R$941,601 in the 1st semester of 2009) and it derives, mainly, from the net interest income from local currency operations and also from mark-to-market adjustments of receivables from financial institutions under extrajudicial liquidation. In contrast, the result with the international reserves and part of the cost of funding – proportional to the international reserves – were neutralized by means of the foreign exchange equalization operation as shown in the table below:

	1st sem/2010	1st sem/2009
International Reserves Operations and Swaps	**-**	**-**
Profitability of the International Reserves	14,182,764	(79,393,653)
Foreign Exchange Derivatives – Swaps in Local Currency	-	2,297,633
Foreign Exchange Equalization of Reserves and Derivatives	(14,182,764)	77,096,020
Other Operations in Foreign Currencies	**170,750**	**(9,339)**
Local Currency Operations	**11,113,972**	**(491,022)**
Interest	(6,793,337)	(16,910,424)
Mark-to-Market - Financial Institutions under Extra-Judicial Liquidation	1,831,373	(271,894)
Foreign Exchange Equalization of Reserves and Derivatives (Cost of Funding)	16,075,936	16,691,296
Other Operations in Local Currency	**(481,527)**	**(441,240)**
Net income (loss)	**10,803,195**	**(941,601)**

According to the legislation in effect, the result of the 1st semester of 2010 will be transferred to the National Treasury not later than the tenth business day subsequent to the CMN's approval of these financial statements (note1).

17.2. Comprehensive Income

The Statement of Comprehensive Income has the objective of disclosing the economic result of the reporting entity, broadening the level of disclosure of the results beyond the concept of accounting result, which is usually shown via the Income Statement.

So as to render the result an extended level of transparency, the Statement of Comprehensive Income contain information about gains and losses recognized directly into equity, whose items are shown in note 12.

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18 - RELATED PARTIES

18.1. Federal Government

The following table presents the main transactions between the Bank and the Federal Government in the period:

	1st sem/2010	2nd sem/2009
National Treasury Operating Account		
Opening balance	406,354,420	396,975,153
(+) remuneration	17,452,687	17,196,626
(+/-) deposits/redemptions	(73,959,512)	(7,817,359)
(+) positive result transferred	6,674,518	-
Closing balance	356,522,113	406,354,420
Federal Government Debt Securities		
Opening balance	640,215,918	502,855,398
(+/-) net issue/redemption	7,260,663	112,001,153
(+) remuneration	34,414,634	26,736,839
(+/-) mark-to-market adjustments	(946,514)	(1,377,472)
Closing balance	680,944,701	640,215,918
Result to be covered by the National Treasury		
Opening balance	-	938,458
(+) remuneration	-	42,172
(-) coverages	-	(980,630)
Closing balance	-	-
Result to be transferred to the National Treasury		
Opening balance	6,553,787	-
(+) positive result to be transferred	10,806,337	6,553,787
(+) remuneration	120,731	-
(-) transfers	(6,674,518)	-
Closing balance	10,806,337	6,553,787
Foreign Exchange Equalization		
Opening balance	-	-
(+/-) adjustments	1,893,172	53,931,576
(+/-) transfers to credits payable (receivable)	(1,893,172)	(53,931,576)
Closing balance	-	-
Credit receivable due to the result of foreign exchange equalization		
Opening balance	53,931,576	93,787,316
(+) foreign exchange equalization result	1,893,172	53,931,576
(+) remuneration	1,402,165	3,355,175
(-) amounts received	(55,333,741)	(97,142,491)
Closing balance	1,893,172	53,931,576
Transfer under Budget Law	578,259	648,159

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18.2. Centrus

The main operations between Centrus and the Bank were the following:

	1st sem/2010	2nd sem/2009
Resources managed by Centrus		
Opening balance	630,867	828,119
(+/-) actuarial gains/losses	-	133,601
(-) amounts received	(361,989)	(389,859)
(+) interest	9,888	59,006
Closing balance	278,766	630,867
Actuarial Surplus		
Opening balance	3,371,447	2,716,785
(+/-) actuarial gains/losses	-	421,264
(+) interest	222,062	233,398
(+) other	14	-
Closing balance	3,593,523	3,371,447
Credits Receivable	271,892	267,500
Payment of management fee	-	3,473

19 - 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, of November 25 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 (Complementary Law 1010, of May 4 2000):

“*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, of August 24 2001, 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 Bank’s result is comprised of revenues and expenses related to all of its operations;

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

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

The Bank experienced a positive result of R$5,828,182 in the 1st quarter and a positive result of R$4,975,013 in the 2nd quarter, totaling a positive result of R$10,803,195 in the 1st semester of 2010. After realization of reserves, this result will be transferred to the National Treasury not later than the tenth business day subsequent to 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 pertinent Theme Committees of the National Congress (among which the

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Economic Subjects Committees, the Finances and Taxation Committees, and the Public Budget Committees), 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$8,330,585 in the 1st quarter of 2010 and to R$9,065,843 in the 2nd quarter of 2010 (R$17,396,428 in the semester).

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

The cost of maintaining the foreign exchange reserves is calculated daily as the difference between the yield on international reserves, including the exchange rate variation, and the average funding cost of the Bank.

On June 30, 2010, the sovereign debt securities represented 87.8% of total international reserves, as disclosed in Press Note on the External Sector (Table 49), available on the Bank's website (www.bcb.gov.br).

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousand)	Profitability (%)	(%)	(%)	(R$ thousand)
1st quarter/2010	434,250,264	2.14	(1.80)	0.34	1,482,479
2nd quarter/2010	446,528,177	1.09	(1.85)	0.76	(3,375,651)
Total in the semester					**(1,893,172)**

The international reserves had positive returns of 2.14% in the 1st quarter, already considering the depreciation of the Real in relation to the US dollar, the currency in which a great parcel of the international reserves are denominated. Considering the funding cost of the Bank, the net result of the international reserves was positive by 0.34% (R$1,482,479). In the 2nd quarter, the profitability reached a positive 1.09%. When the cost of funding is considered it represents a negative 0.76% (R$3,375,651).

d) Profitability of the securities portfolio – Fiscal Responsibility Law, Article 7, Paragraph 3:

The profitability of the Bank's securities portfolio, which is exclusively composed of Government securities, was R$16,232,182 in the 1st quarter and R$18,182,452 in the 2nd quarter, totaling R$34,414,634 in the 1st semester of 2010.

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Aldo Luiz Mendes
Alexandre Antônio Tombini
Alvir Alberto Hoffmann
Anthero de Moraes Meirelles
Antônio Gustavo Matos do Vale
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Independent auditors' report on review of interim financial statements

To
The Governor and Deputy Governors
Central Bank of Brazil
Brasília - DF

1. We have reviewed the accompanying condensed interim balance sheet of Banco Central do Brasil ("Bacen" or "the Bank") as at June 30, 2010, and the related condensed interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. The Bank's management is responsible for preparing and presenting these condensed interim financial statements in accordance with the International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Therefore, a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at June 30, 2010 have not been prepared, in all material respects, in accordance with IAS 34 - Interim Financial Reporting.

4. Our review was conducted for the purpose of expressing a conclusion on Bacen's condensed interim financial statements taken as a whole. The supplementary information included in Note 19 is not required information by the International Financial Reporting Standards (IFRS), but is presented herein in compliance with the Fiscal Responsibility Law. This information has been subjected to the same review procedures as described in Paragraph 2, and based on our review, nothing has come to our attention that causes us to believe that the accompanying supplementary information is not adequately presented, in all material respects, in accordance with the condensed interim financial statements taken as a whole.

Brasília, August 13, 2010

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Original report in Portuguese signed by
Ricardo Anhesini Souza
Accountant CRC SP-152233/O-6 S-DF