BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Condensed Interim Financial Statements

June 30, 2011

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM BALANCE SHEET- As at June 30, 2011
In thousands of Reais

ASSETS	Notes	Jun 30, 2011	Dec 31,2010
ASSETS IN FOREIGN CURRENCIES		**542,432,776**	**496,109,813**
Cash and Cash Equivalents	4	20,431,166	13,865,931
Time Deposits Placed with Financial Institutions	5	44,308,521	49,029,936
Funds under External Management		366,606	-
Financial Assets Purchased Under Resell Agreement	6	84,384	8,383,977
Derivatives		29,362	23,226
Securities	7	462,115,576	412,773,953
Receivables	9	1,879,223	1,649,397
Gold		2,538,685	2,529,661
Investments in International Financial Organizations	10	10,679,253	7,852,633
Other		-	1,099
ASSETS IN LOCAL CURRENCY		**863,468,074**	**794,189,768**
Deposits		619,861	616,462
Federal Government Securities	7	722,658,413	703,175,643
Receivables from the Federal Government	8	95,754,230	48,634,152
Receivables	9	41,382,803	39,073,828
Property and Equipment		759,376	767,478
Other		2,293,391	1,922,205
TOTAL		**1,405,900,850**	**1,290,299,581**

LIABILITIES	Notes	Jun 30, 2011	Dec 31,2010
LIABILITIES IN FOREIGN CURRENCIES		**24,826,617**	**22,594,750**
Items in the Course of Collection	11	9,311,069	459,426
Deposits Received from Financial Institutions		1,110	1,185
Financial Assets Sold Under Repurchase Agreement	6	85,282	8,392,305
Derivatives		44,888	17,119
Accounts Payable		7,424,786	7,592,285
Deposits Received from International Financial Organizations		7,959,356	6,132,430
Other		126	-
LIABILITIES IN LOCAL CURRENCY		**1,231,527,672**	**1,100,600,826**
Items in the Course of Collection	11	10,324,578	525,721
Deposits Received from Financial Institutions	12	404,958,293	379,441,614
Financial Assets Sold Under Repurchase Agreement	6	350,621,831	288,665,899
Derivatives	13	122,332	-
Payables to the Federal Government	8	443,356,078	410,521,771
Accounts Payable		1,345,643	1,248,578
Deposits Received from International Financial Organizations		520	941
Provisions		20,768,912	20,166,047
Other		29,485	30,255
CURRENCY IN CIRCULATION	14	**133,899,009**	**151,145,368**
NET EQUITY		**15,647,552**	**15,958,637**
Capital		24,675,451	24,675,451
Income Reserve		1,606,019	1,606,019
Revaluation Reserve		457,012	460,155
Gains (Losses) Recognized Directly in Equity		(11,090,930)	(10,782,988)
TOTAL		**1,405,900,850**	**1,290,299,581**

The Explanatory Notes are an integral part of the Condensed Interim Financial Satements.

CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2011

In thousands of Reais

	Notes	1st sem/2011	1st sem/2010
Interest income		46,905,123	36,293,447
Interest expenses	**15**	(60,665,476)	(43,024,024)
Net interest result		(13,760,353)	(6,730,577)
Gains (losses) on financial instruments classified as At fair value through profit and loss, held for trading	**16**	27,024,191	15,926,883
Gains (losses) on financial instruments classified as At fair value through profit and loss, by designation of the management	**17**	2,137,591	1,831,373
Gains (losses) from foreign exchange	**18**	(2,982,126)	257,029
Other income		1,257,906	861,297
Other expenses		(1,446,503)	(1,342,810)
NET INCOME (LOSS)	**19.1**	**12,230,706**	**10,803,195**

The Explanatory Notes are an integral part of the Condensed Interim Financial Satements.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - 1st SEMESTER OF 2011

In thousands of Reais

	Notes	1st sem/2011	1st sem/2010
INCOME STATEMENT FOR THE PERIOD	**19.1**	**12,230,706**	**10,803,195**
Available for sale Financial Assets		**(307,942)**	**(809,922)**
Gains (Losses) recognized in Equity		(211,247)	(704,973)
(Gains) Losses transferred to Income		(96,695)	(104,949)
COMPREHENSIVE INCOME FOR THE PERIOD	**19.2**	**11,922,764**	**9,993,273**

The Explanatory Notes are an integral part of the Condensed Interim Financial Satements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2011

In thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CAPITAL	NET EQUITY
Balance as at December 31, 2010		**1,606,019**	**460,155**	**(10,782,988)**	**24,675,451**	**15,958,637**
Realization of revaluation reserves		-	(3,143)	-	3,143	-
Gains (Losses) recognized in Equity		-	-	(307,942)	-	(307,942)
Net income (loss) for the semester	**19.1**	-	-	-	12,230,706	12,230,706
Result to be transferred to the National Treasury	**8**	-	-	-	(12,233,849)	(12,233,849)
Balance as at June 30, 2011		**1,606,019**	**457,012**	**(11,090,930)**	**24,675,451**	**15,647,552**
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		-	-	(809,922)	-	(809,922)
Net income (loss) for the semester		-	-	-	10,803,195	10,803,195
Result to be transferred to the National Treasury		-	-	-	(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**

The Explanatory Notes are an integral part of the Condensed Interim Financial Satements.

CONDENSED INTERIM CASH FLOW STATEMENT - 1st SEMESTER OF 2011
In thousands of Reais

	1st sem/2011	1st sem/2010
Net Cash Flow from Operating Activities	**7,377,935**	**471,592**
Interest received	4,486,334	3,875,244
(Purchase) sale of securities	(65,309,758)	1,224,831
Purchase (sale) of foreign currencies	61,995,130	24,029,982
(Placement) redemptions of repurchase and reverse repurchase transactions	274,705	(13,132)
(Placement) redemptions of time deposits	5,062,834	(29,757,759)
(Granting) receipt of receivables	819,593	1,375,417
Receipts (payments) resulting from operations with derivatives	106,899	(282,234)
Other (payments) receipts	(57,802)	19,243
Net Cash Flow	**7,377,935**	**471,592**
Change in Cash and Cash Equivalents	**7,377,935**	**471,592**
Cash and cash equivalents at the beginning of the period	13,865,931	13,864,571
Cash and cash equivalents at the end of the period	20,431,166	14,411,121
Effect of exchange rate changes on cash and cash equivalents	(812,700)	74,958

The Explanatory Notes are an integral part of the Condensed Interim Financial Satements.

1 - THE BANK AND ITS ATTRIBUTIONS

Banco Central do Brasil (the Bank), established through the enactment of Law 4595 of December 31, 1964, is an autonomous federal government institution that is part of the Brazilian financial system and its mission is to ensure the stability of the purchasing power of the Brazilian currency and a solid and efficient financial system. The Bank's head office is in Brasília, Federal District, in Setor Bancário Sul, quadra 3, bloco B and it has offices in nine other states of Brazil.

These condensed interim financial statements were analyzed by the administrative officer, who recommended a favorable vote for their approval on August 16, 2011. As established in Law 4595 of 1964, the National Monetary Council (CMN) authorized the publication of these statements on August 25, 2011 and they are available on the Bank's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The Bank's condensed interim financial statements as of June 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and follow the provisions of the International Accounting Standard (IAS) 34 – Interim Financial Reporting. Therefore, they do not include all the disclosures required for a complete set of financial statements and should be read along with the financial statements as of December 31, 2010.

IFRS 9 – Financial Instruments, whose application will be mandatory as from the annual periods beginning on January 1, 2013, was not early adopted, considering that:

a) the replacement of IAS 39 – Financial Instruments – Recognition and Measurement will be provided by the IASB in three stages, as follows:

- Stage 1: classification and measurement;
- Stage 2: impairment; and
- Stage 3: hedge accounting.

b) only the first of these stages has been concluded and the effective conclusion of the three stages is forecast by the IASB for the second semester of 2011; and

c) the partial review of accounting for financial instruments could cause distortions in the Bank's financial statements.

Due to the aspects listed previously and also to the fact that the financial instruments are almost the totality of the Bank's assets and liabilities, it is not possible to forecast a date for the adoption of this regulation or to estimate its possible effects on the financial statements.

3 - SIGNIFICANT ACCOUNTING POLICIES

Below, we present a summary of the significant accounting policies used by the Bank, which were applied consistently 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 is transferred to the National Treasury in the event of net income or covered by the National Treasury in the event of a net loss. (Notes 19.1 and 22.a).

3.2. Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest yield, which discounts, exactly, the future receipts and payments of financial assets or liabilities to their net carrying amount, according to their contractual terms. This calculation considers all the material amounts paid or received between the parties, such as fees, commissions, discounts and premiums.

Interest income and expenses presented in the income statement include interest income and expenses of the Bank's financial assets and liabilities not classified as At fair value through profit and loss.

3.3. Assets and liabilities in foreign currencies

The functional and reporting currency of these financial statements is the Real. Transactions in foreign currency are translated into Reais at the prevailing exchange rate on the date of the transactions. Each month, the monetary assets and liabilities in foreign currencies are translated by the exchange rates at the end of the month and the resulting gains and losses are recognized in the income statement. The following table presents the exchange rates used on the closing date of the balance sheet:

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 7

	Jun 30, 2011	Dec 31, 2010
Dollar	1.5607	1.6658
Euro	2.2661	2.2273
Canadian Dollar	1.6187	1.6694
Pound Sterling	2.5068	2.5868
Australian Dollar	1.6746	1.6953
SDR	2.4979	2.5654
Gold (troy ounces)	2,343.1569	2,355.7744

The exchange rates used are those freely fixed by the agents and published by the Bank, except for the quotation for gold, which is the PM Fixing, published by the London Stock Exchange, translated into Reais at the rate of the US dollar on the balance sheet date. The exchange rates are based on the average effective rate for spot transactions on the interbank market, weighted by the volume of transactions. Transactions closed at rates that are further from the market average (outliers) and transactions that show evidence of artificial price formation or that are contrary to regular market practices are excluded from the calculations.

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

3.4. Financial assets and liabilities

3.4.1 Recognition

Financial assets and liabilities are recognized at their fair values at the respective trade date, i.e. on the date on which the Bank undertakes to purchase or sell them, and for those that are not classified as At fair value through profit and loss, this amount includes all the costs incurred in the transaction.

3.4.2 Derecognition

Financial assets are derecognized through financial settlement, lack of expected settlement 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 recognized on its balance sheets, however, it remains with control of such assets by means of retaining the risks and the rights to the income and expenses. 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 and shown at their net values when there are the intention and the legal right to settle the resulting payments and receipts on a net basis.

3.4.4 Classification of financial instruments

At the time of their acquisition, financial assets are classified in one of the following categories: At fair value through profit and loss, Held to maturity, Loans and receivables or Available for sale. After initial recognition, the assets are measured in accordance with the classification that was made.

a) At fair value through profit and loss

A financial instrument is classified in the category At fair value through profit and loss, with the gains and losses resulting from changes in the fair value recognized in the income statement, in the event of one of the following conditions:

- if there is the intention to trade them in the short term;
- if it is a financial derivative;
- through management´s decision, when this classification presents more relevant information and provided that these assets are part of a portfolio that is valued and managed on a fair value basis;

b) Held to maturity

This category includes non-derivative financial assets for which the bank has the intention and ability to hold until maturity. These assets are carried at amortized cost and the 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 instruments with fixed or calculable amortizations that are not quoted on an active market. These assets are carried at amortized cost and the 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 in the other categories, since Management does not have specific intentions to sell them. These assets are carried at their fair value and their gains and losses are recognized in equity and recognized in the income statement when effectively realized. However, the interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

3.4.5 Measurement

The fair value is the market value published by the main depository trust companies (custodian) and providers of economic information. For instruments with no active market, fair value is calculated using pricing models which include the value of the most recent trades, the discounted cash flow and the fair value of similar financial instruments. The models used are assessed by a multi-departmental committee, which is also responsible for suggesting new methodologies or improvements.

Amortized cost is the value on the date of recognition, adjusted by the contractual interest using the effective interest rate, less contingent amortizations and impairment losses.

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 Placed with Financial Institutions	Loans and receivables	Amortized cost
Funds under External Management	At fair value through profit and loss	Fair Value - Manager
Financial Assets Purchased Under Resell Agreement	Loans and receivables	Amortized cost
Derivatives - Futures	At fair value through profit and loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit and loss	Fair Value - Bloomberg
Securities	At fair value through profit and loss	Fair Value - Bloomberg
Receivables	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 Resell Agreement	Loans and receivables	Amortized cost
Derivatives - Swap	At fair value through profit and loss	Fair value - BM&F Bovespa Exchange
Derivatives - Foreign Exchange Equalization	At fair value through profit and loss	Fair value - The Bank
Federal Government Securities - LTN	Available for sale	Fair value - Anbima
Federal Government Securities - except LTN	Held to maturity	Amortized cost
Receivables from the Federal Government	Loans and receivables	Amortized cost
Receivables - Institutions under Extrajudicial Liquidation	At fair value through profit and loss	Fair value - Fair value of the collateral
Receivables - Other	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 Repurchase Agreement	Other liabilities	Amortized cost
Derivatives - Futures	At fair value through profit and loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit and 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 Repurchase Agreement	Other liabilities	Amortized cost
Derivatives - Swap	At fair value through profit and loss	Fair value - BM&F Bovespa Exchange
Derivatives - Foreign Exchange Equalization	At fair value through profit and loss	Fair value - The Bank
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

The Bank conducts an assessment, at least semi-annually, in order to verify if there is evidence of impairment of its financial assets.

The Bank considers as objective evidence of impairment only the events occurring after the initial recognition of the asset that has an impact on the estimated cash flow and only when this impact can be reliably estimated. The Bank considers, for example, the following events:

a) financial difficulties of the obligor;

b) default in any payment related to the principal or interest;

c) renegotiation or discounts granted;

d) extrajudicial liquidation, bankruptcy and financial reorganization;

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

If there is objective evidence of impairment of assets carried at amortized cost, the amount of the loss is measured as the difference between the value of the asset on the date of measurement and the value that is expected to be received, adjusted to present value by the contractual rates. The carrying amount of the asset is adjusted through the use of an allowance account and the amount of the loss is recognized in the income statement.

The assessment is performed by a multi-departmental committee, which is responsible for concluding on the appropriateness of the values and the 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 if the asset has not been effectively realized.

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

If, in subsequent periods, there is a change in the conditions of receipt of the asset and this change results in a reversal of an impairment loss previously recognized, the amount of the reversal is recognized as a gain, except for equity investments, where previously recognized impairment cannot be reversed.

3.4.7 Derivatives

Derivatives are recognized at fair value since their respective trade date and are presented 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 and, accordingly, recognizes all gains and losses in the income statement.

3.5. Property and Equipment

This group of accounts consists of land, buildings and equipment used by the Bank in the conduction of its own activities, as well as the collection of works of art and precious metals, except monetary gold, and are recorded at cost, less accumulated depreciation, when applicable. Cost includes all directly attributable expenses to the acquisition or construction of the asset. Further expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow into the Bank and these estimates can be reliably estimated. Other expenditures for maintenance and repairs are recognized in the income statement.

Land, works of art and precious metals are not depreciated. The other assets are depreciated according to the straight line method, recognizing their cost according to the estimated useful life of the assets:

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 Litigation

The Bank recognizes a provision when an outflow of economic resources is probable and provided that this amount can be reliably estimated. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

3.6.2 Post employment benefits

The Bank sponsors post employment plans with respect to retirement, pension and health care benefits, all in the form of defined benefits.

A defined benefit plan is one which the value of the benefits to which the employees have the right upon retirement is previously determined, considering one or more factors, such as age and time of contribution.

The provision recognized in the balance sheet is the present value of the obligations less the fair value of the assets of the plans. The amount of the obligation is calculated annually by independent actuaries.

The actuarial surplus arises from the excess of assets in relation to the benefits payable of the Centrus Plan – Fundação Banco Central de Previdência Privada, which is recognized in the balance sheet to the extent of the expected benefits.

3.7. Tax immunity

Pursuant to the Brazilian Federal Constitution, the Bank is tax immune to the collection of taxes on its equity and on the income and services related to its activities. However, it is subject to pay fees and contributions and withholding taxes referring to the payment of services provided by third parties.

3.8. Cash Flow Statement

The purpose of the Cash Flow Statement is to present an entity's capacity to generate cash in order to meet its liquidity requirements. Considering that the Bank is the institution responsible for the liquidity of the financial system and, therefore, the holder of the right to issue currency, the Banks' management understands that the statement of cash flow referring to its operations should be limited to the transactions in foreign currencies, since these are outside its prerogative to issue.

For purposes of the Cash Flow Statement, cash and cash equivalents include cash, demand deposits and very short-term time deposits.

4 - CASH AND CASH EQUIVALENTS

It comprises the portion of international reserves held by the Bank as demand deposits and very short term deposits, in accordance with its risk management policy. International reserves are the monetary assets available for coverage of payments imbalances and, in some cases, to meet other financial needs of the monetary authorities of a country.

The variation in the period arises from the increase in very short term deposits aimed at making available funds to meet possible liquidity requirements, especially those related to the return of the external management program of the reserves.

5 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

They comprise the portion of international reserves held by the Bank as fixed time deposits in financial institutions, in accordance with its risk management policy.

The variation in the balance of these deposits in the period is due, mainly, to the appreciation of the Real against the US dollar, the currency in which the major part of these deposits is denominated.

6 - FINANCIAL ASSETS PURCHASED UNDER RESELL AGREEMENT/SOLD UNDER REPURCHASE AGREEMENT

These are transactions in which assets are purchased under an agreement to be sold on a future date (reverse repo) or are sold under an agreement to be repurchased in a future date (repo). In these operations, considering their characteristics, the items traded are recorded as collaterals, except in the event of purchases and sales of foreign currency, since cash settlement occurs only upon payment on the agreed-upon date, that is, receipt of the traded currency settles the operation. On the foreign market, the Bank normally trades with the same counterparty a repo along with a reverse repo, where the cash settlement of these operations occurs independently.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 11

6.1. In foreign currencies

The change in the period results from the decrease in the trading of these operations, considering lower liquidity levels and low rates of return verified on foreign markets.

6.2. In local currency

	Jun 30, 2011	Dec 31, 2010
Repo	**350,621,831**	**288,665,899**
Securities	350,621,831	288,665,899
Collaterals	**350,575,858**	**289,501,637**
Transactions of collateral allowed	166,835,877	143,180,011
Transactions of collateral not allowed	183,739,981	146,321,626

The variation in the balance of repo operations is due to an increase in the liquidity level of the domestic market resulting from the Bank's operations on the interbank exchange market, through auctions for purchase of foreign currency, and the net redemption of federal government securities on the market, including interest payments.

7 - SECURITIES

7.1. In foreign currencies

	Jun 30, 2011	Dec 31, 2010
Uncommitted securities	**460,803,020**	**405,661,032**
1 month	986,851	3,929,977
1 - 6 months	12,268,041	32,504,250
6 - 12 months	20,993,093	15,882,816
1 - 5 years	391,283,162	331,374,640
More than 5 years	35,271,873	21,969,349
Securities subject to repurchase agreements	**-**	**7,108,326**
More than 5 years	-	7,108,326
Securities granted as collateral	**-**	**4,595**
More than 5 years	-	4,595
Securities subject to definitive sale operations pending settlement	**1,312,556**	**-**
1 - 5 years	1,299,436	
More than 5 years	13,120	-
Total	**462,115,576**	**412,773,953**

These are fixed rate securities issued by national treasuries, supranational or multilateral organisms and agencies, acquired by the Bank pursuant to its investment policy. They form part of the international reserves and their main purposes are to diversify the types of investments and risks, to increase profitability and to maintain different levels of liquidity.

These securities are classified as At fair value through profit and loss. The table below presents the amortized cost and the carrying amount of these assets after the mark-to-market adjustment:

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 12

	Jun 30, 2011	Dec 31, 2010
Amortized Cost	459,782,136	411,124,207
Mark-to-market Adjustment	2,333,440	1,649,746
Carrying Amount	**462,115,576**	**412,773,953**

The increase in the securities portfolio in foreign currencies in the period occurred mainly as a result of the investment of resources resulting from auctions for purchase of foreign currency held by the Bank on the domestic market, which was partially offset by the appreciation of the Real against the US dollar (note 3.3), the currency in which a significant part of this portfolio is denominated.

7.2. In local currency

Jun 30, 2011

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted securities	**45,957,907**	**21,990,013**	**9,674,330**	**172,632,891**	**121,495,661**	**371,750,802**
LTN	45,957,907	12,118,939	-	44,646,855	-	102,723,701
LFT	-	5	5	56,188,015	779,407	56,967,432
NTN-B	-	9,871,069	-	37,349,384	100,675,131	147,895,584
NTN-F	-	-	9,674,325	34,448,637	20,041,123	64,164,085
Securities subject to repurchase agreements	**-**	**35,374,708**	**56,858,401**	**188,159,670**	**68,350,227**	**348,743,006**
LTN	-	-	-	50,671,732	-	50,671,732
LFT	-	28,479,538	50,936,078	99,990,750	4,440,872	183,847,238
NTN-B	-	6,895,170	-	25,599,858	39,098,848	71,593,876
NTN-F	-	-	5,922,323	11,897,330	24,810,507	42,630,160
Securities granted as collateral	**-**	**-**	**-**	**2,164,400**	**-**	**2,164,400**
LFT	-	-	-	2,164,400	-	2,164,400
Untradeable securities	**-**	**-**	**-**	**88**	**117**	**205**
NTN-P	-	-	-	88	117	205
Total	**45,957,907**	**57,364,721**	**66,532,731**	**362,957,049**	**189,846,005**	**722,658,413**

Dec 31, 2010

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted securities	**41,666,386**	**23,901,233**	**28,578,997**	**196,756,851**	**125,836,676**	**416,740,143**
LTN	30,475,491	-	24,946,611	12,776,566	-	68,198,668
LFT	-	14,761,015	4	110,316,411	4,497,817	129,575,247
NTN-B	-	9,140,218	3,632,382	42,343,555	98,176,097	153,292,252
NTN-F	11,190,895	-	-	31,320,319	23,162,762	65,673,976
Securities subject to repurchase agreements	**-**	**28,301,763**	**69,490,946**	**149,620,448**	**39,022,145**	**286,435,302**
LTN	-	-	30,069,343	13,764,819	-	43,834,162
LFT	-	26,408,499	26,988,015	88,004,945	-	141,401,459
NTN-B	-	1,893,264	12,433,588	17,733,675	19,360,674	51,421,201
NTN-F	-	-	-	30,117,009	19,661,471	49,778,480
Untradeable securities	**-**	**-**	**-**	**3**	**195**	**198**
NTN-P	-	-	-	3	195	198
Total	**41,666,386**	**52,202,996**	**98,069,943**	**346,377,302**	**164,859,016**	**703,175,643**

The Bank seeks to manage its portfolio so as to have adequate instruments available for the execution of its monetary policy, i.e. the carrying out of purchase and sale of securities, which can be either a final sale or a firm commitment. The breakdown of this portfolio, therefore, tends to accompany the profile of the federal government securities held by the market, where, for this, the Bank, when the securities in its portfolio reach the maturity date, rebuilds its portfolio through public offerings of the National Treasury. These operations are always made at the average price paid by the other market players.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 13

The table below presents the amortized cost and the carrying amount of these assets after the mark-to-market adjustment (note 3.4.5):

	Jun 30, 2011			Dec 31, 2010		
	Amortized Cost	Mark-to-market Adjustment	Carrying Amount	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
Available for sale	**153,658,190**	**(262,757)**	**153,395,433**	**112,276,626**	**(243,796)**	**112,032,830**
LTN	153,658,190	(262,757)	153,395,433	112,276,626	(243,796)	112,032,830
Held to maturity	**569,262,980**	**-**	**569,262,980**	**591,142,813**	**-**	**591,142,813**
LFT	242,979,070	-	242,979,070	270,976,706	-	270,976,706
NTN-B	219,489,460	-	219,489,460	204,713,453	-	204,713,453
NTN-F	106,794,245	-	106,794,245	115,452,456	-	115,452,456
NTN-P	205	-	205	198	-	198
Total	**722,921,170**	**(262,757)**	**722,658,413**	**703,419,439**	**(243,796)**	**703,175,643**

The change observed in the Bank's federal government securities portfolio is a result of the interest accruals (note 15) and the issuance of securities by the National Treasury for coverage of the result of the foreign exchange equalization of the first semester of 2010, partly offset by the net redemption of securities in the period (note 20.1).

8 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Assets	Jun 30, 2011	Dec 31, 2010
Foreign Exchange Equalization	95,738,821	48,633,518
Other	15,409	634
Total	**95,754,230**	**48,634,152**

Liabilities	Jun 30, 2011	Dec 31, 2010
National Treasury Operating Account	430,216,335	404,516,398
Result to be transfered to the National Treasury	12,233,849	4,929,917
Other	905,894	1,075,456
Total	**443,356,078**	**410,521,771**

Due to legal provisions, the Bank has a financial relationship with the National Treasury. The main transactions are described in greater detail in note 20.1.

9 - RECEIVABLES

9.1. In foreign currencies

	Jun 30, 2011	Dec 31, 2010
Note Purchase Agreement	-	1,642,664
New Arrangements to Borrow	1,875,069	-
Other receivables	4,154	6,733
Total	**1,879,223**	**1,649,397**

The balance of receivables in foreign currencies as of June 30, 2011 refers mainly to the Bank's participation in the New Arrangements to Borrow (NAB).

NAB is substantiated in article 7 of the Articles of Agreement of the IMF, which authorizes the IMF, in the event of scarcity of a certain currency, to propose to the member countries to make loans to the Fund, in a complementary way to their quotas (note 10), under terms and conditions agreed upon between the parties, for the purpose of reinforcing the financial capacity of the organization. The agreement is reviewed and renewed regularly.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 14

The agreement signed on April 1, 2011 establishes the availability of up to SDR8.7 billion for the IMF. For the purpose of reducing the pressure for funds on the countries that already contributed to the IMF before the activation of the agreement, the IMF permitted the countries that had operations within the scope of the Note Purchase Agreement (NPA) to migrate their balances to NAB. Accordingly, SDR750 million were made available within the scope of NAB, originating from the incorporation of the operations of NPA, which were closed on the date of the execution of the abovementioned agreement.

The receivables from *NAB* are denominated in SDR and remunerated at rates determined weekly based on the weighted average of the interest rates representative of short-term debts on the monetary market of the countries whose currencies constitute the SDR (note 3.3). The maturity of these loans is for five years, with the possibility of settlement before this term in the event of the borrower of funds making early payment to the IMF. The funds made available within the NAB do not have secured guarantees.

9.2. In local currency

Jun 30, 2011

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At fair value through profit and loss - Designation	**64,343,560**	**(32,153,476)**	**32,190,084**
Banco Nacional - Under Extrajudicial Liquidation	31,704,861	(14,914,505)	16,790,356
Banco Econômico - Under Extrajudicial Liquidation	27,218,814	(13,772,101)	13,446,713
Banco Mercantil - Under Extrajudicial Liquidation	1,953,015	-	1,953,015
Banco Banorte - Under Extrajudicial Liquidation	738,929	(738,929)	-
Banco Bamerindus - Under Extrajudicial Liquidation	2,727,941	(2,727,941)	-
Loans and receivables	**9,192,719**	**-**	**9,192,719**
Loans related to rural credit	8,863,050	-	8,863,050
Centrus	311,323	-	311,323
Other	18,346	-	18,346
Total	**73,536,279**	**(32,153,476)**	**41,382,803**

Dec 31, 2010

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At fair value through profit and loss - Designation	**62,769,962**	**(32,717,469)**	**30,052,493**
Banco Nacional - Under Extrajudicial Liquidation	30,698,448	(14,879,592)	15,818,856
Banco Econômico - Under Extrajudicial Liquidation	26,659,522	(14,396,094)	12,263,428
Banco Mercantil - Under Extrajudicial Liquidation	1,970,209	-	1,970,209
Banco Banorte - Under Extrajudicial Liquidation	729,556	(729,556)	-
Banco Bamerindus - Under Extrajudicial Liquidation	2,712,227	(2,712,227)	-
Loans and receivables	**9,021,335**	**-**	**9,021,335**
Loans related to rural credit	8,714,410	-	8,714,410
Centrus	289,283	-	289,283
Other	17,642	-	17,642
Total	**71,791,297**	**(32,717,469)**	**39,073,828**

9.2.1 At fair value through profit and loss – Designation by Management

a) Characteristics and credit conditions

It refers to the Bank's receivables from institutions under liquidation originating from financial assistance (PROER loans) and from the balances resulting from overdrafts in the Banking Reserves Account.

These receivables are adjusted through application of article 124, sole paragraph, of the Bankruptcy Law (Law 11101 of February 9, 2005), through which the portion of the receivables originating from PROER loans should be updated by the contractual rates up to the limits of the collateral on the loans, and the remaining balances by the Referential Rate (TR), stressing that the contractual rates are those resulting from the collateral for the original loans.

Their realization is subject to the legal and procedural sequences established in the Liquidation Law (Law 6024 of March 13, 1974) and in the Bankruptcy Law. This legislation establishes, amongst other matters:

- suspension of the terms previously established for settlement of the obligations;
- payment of the liabilities in accordance with the order of preference established by law: essential liquidation expenses, labor claims, loans with collateral, tax liabilities and, finally, unsecured loans;
- establishment of a general creditors' table, as a means for identifying all the institution's creditors, the effective value of their credit and their position in the order of preference for payment;
- the procedures required to realize the assets, such as the type of sale (direct or auction, individual assets or groups of assets), for example.

The amortizations occurred since the date of adjudication of liquidation, when made with funds originating from the collateral entailed to the debts, were allocated in the respective agreements for financial assistance operations (PROER), in accordance with bankruptcy legislation, and the debtor may allocate the amortizations according to his convenience only in the cases where they were made with free funds. In any case, the amortizations are recorded initially in the interest and afterwards in the capital, in accordance with civil law.

b) Classification and measurement

These receivables are classified as At fair value through profit and loss by designation of the Bank's Management, which considered this classification more relevant, considering the following characteristics:

- they comprise a portfolio of assets with the same origin - they arise from the Bank's actions as supervisor of the Brazilian financial system;
- for management and accounting purposes these assets have been measured at their realizable amount since 1999. This form of evaluation reflects the Bank's objectives when addressing extrajudicial liquidation processes, i.e. concluding the processes in the shortest time possible and at the lowest possible cost for the monetary authority and for the depositors and investors.

The fair value of these receivables is measured based on the fair value of the original collateral, formed by LFT, NTN-A3 and FCVS/CVS, excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes).

c) Requests made based on article 65 of Law 12249, of June 11, 2010.

With the enactment of Law 12249, of June 11, 2010, the Bank's receivables from the institutions under liquidation became liable for payment in cash or in installments, through petition of the debtor, with discounts from 25% to 45% due on the charges.

The five institutions under extrajudicial liquidation – Nacional, Econômico, Mercantil, Banorte and Bamerindus – presented their petitions to the Bank, in the manner established in article 65 of the aforementioned law. The general principle that guides the settlement of the receivables is the admission of federal government securities in payment, which will be measured by the Bank taking into account the lesser value between the nominal amount and the market value.

As the processes are still in progress, it is not yet possible to define the cash flows that will enter the Bank in the settlement of these receivables, with the exception of the receivables from Banco Bamerindus – Under Extrajudicial Liquidation, as presented in note 21.

10 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The Bank's interest in international financial organizations consists of quotas of the IMF (1.78% of the Fund's equity) and shares of the Bank for International Settlements (BIS) (0.55% of the capital). The percentage of the capital of these organizations held by the Bank does not represent control or a significant influence in their management or in the decisions of these organizations, which establishes their accounting in accordance with IAS 39.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 16

These assets are classified as Available for sale and their market value is expressed by the value, in Reais, of Brazil's interest in the organizations.

	Jun 30, 2011	Dec 31, 2010
International Monetary Fund - IMF	10,617,111	7,788,811
Bank for International Settlements - BIS	62,142	63,822
Total	**10,679,253**	**7,852,633**

The change in the balance resulted from the increase in the Bank's interest in the IMF, from 1.40% to 1.78%, considering the reform in the Fund's quota system, approved in April 2008 and which came into force in March 2011. The purpose of this reform was to strengthen the representation of the most dynamic economies in the IMF and to enhance the voice and participation of low income countries in the Fund.

11 - ITEMS IN THE COURSE OF COLLECTION

They refer basically to contracted operations pending settlement on the balance sheet date, whose financial settlement will occur within three days.

12 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	Jun 30, 2011	Dec 31, 2010
In Foreign Currencies	**1,110**	**1,185**
In Local Currency	**404,958,293**	**379,441,614**
Demand Deposits	56,611,853	55,707,954
Time Deposits	118,332,422	104,150,806
Savings Deposits	74,468,252	72,184,979
Additional Requirements	144,265,727	135,721,287
Other	11,280,040	11,676,588
Total	**404,959,403**	**379,442,799**

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

These deposits are calculated on the average daily balance of the amounts raised by the banks and may be required in cash or in federal government securities. The deposits made in cash are recognized as demand liabilities of the Bank.

Changes in the balance of deposits received from financial institutions are associated basically with the fluctuation of the amounts subject to collection, since there has been no change in the rules for the main reserve requirements in the period.

13 - DERIVATIVES

13.1. Swap

In the execution of the monetary and foreign exchange policy, the Bank may enter into swaps, referenced in interest rates and in foreign exchange benchmarks, for the purpose of providing foreign exchange hedge for financial institutions and other economic agents.

These operations are contracted through holding auctions in the Bank's electronic system and recorded on the Stock, Futures and Commodities Exchange (BM&FBovespa), in the form of a standard agreement negotiated on that exchange known as "Exchange Swap Contracts with Periodic Adjustments (SCC)". In the long positions of these contracts, the Bank is on the asset side in a domestic interest rate, represented by the average rate of the Interbank Deposits (DI) for one working day and on the liability side in foreign currency plus an exchange coupon, which is a representative interest rate in US dollars. Inversely, in the short positions, the Bank is on the asset side in foreign currency plus an exchange coupon and on the liability side in a domestic interest rate (DI). These contracts have a notional amount equivalent to US$50,000 and daily financial adjustment. The amount of the collateral is stipulated by BM&FBovespa.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 17

The buying operations for these contracts by the Bank are known on the financial market as exchange swaps, and the selling operations are identified as reverse exchange swaps.

After not performing operations in 2010, in January 2011 the Bank resumed reverse exchange swaps, whose notional amounts, as well as fair values per type of operation and per maturity, are presented in the table below.

Jun 30, 2011	Notional Amount	Fair Value	
		Assets	Liabilities
Swaps - daily settlement	**17,147,903**	**-**	**122,332**
Short position in dollars	**17,147,903**	**-**	**122,332**
1 month	2,646,065	-	18,526
1 - 6 months	7,055,391	-	41,032
6 - 12 months	7,446,447	-	62,774
Total	**17,147,903**	**-**	**122,332**

13.2. Foreign exchange equalization

The foreign exchange equalization operation between the National Treasury and the Bank was established through Law 11803, of November 5, 2008, for the purpose of providing greater transparency to the results of the operations of the monetary authority and reducing the volatility of its results, arising from the mismatch between foreign exchange assets and liabilities.

Through the foreign exchange equalization, which presents characteristics similar to a swap, the carrying cost of international reserves (represented by the difference between the profitability of the reserves and the Bank's average funding cost) and the result of the exchange swaps made on the domestic market are transferred to the Federal Government through the National Treasury. These amounts are calculated daily and the balance payable or receivable is calculated on the last working day of the semester, and will be settled financially according to the same rules established for the transfer or coverage of the results (notes 8, 16 and 20.1).

a) Equalization of the carrying cost of the international reserve

The Bank is on the asset position with respect to the funding cost of the international reserves, represented by the funding rate of the total liabilities, against a liability position in foreign exchange and interest of the international reserves. As a result, the equalization operates as a foreign exchange and interest rate economic hedge for the Bank, reducing the Bank's exposure in foreign currency and assuring coverage of the maintenance cost of the reserves.

b) Equalization of the foreign exchange swaps conducted on the domestic market

The Bank performs swap with the National Treasury with characteristics opposite to the foreign exchange swaps made on the domestic market, attaining a perfect economic hedge, since the notional amount and the rates are identical, but with opposite positions.

Through this operation, the exchange swaps made on the domestic market do not result in foreign exchange or interest rate exposure for the Bank.

14 - CURRENCY IN CIRCULATION

The change in the balance of the currency in circulation in the first semester of 2011 is due mainly to a type of behavior usually verified in the demand for currency in this period, which is the reversal of a typical end of year seasonal movement, where an increase in demand for currency is verified as a result of the payment of the 13th Salary and end-of-year festivities.

In addition to this factor, the slowing down of the level of economic activity, comparatively to 2010, in addition to the adoption of a more restrictive monetary policy, to which the effects of the macro prudential measures implemented in December 2010 were added, resulting in contention of the rhythm of expansion of credit, contributed to this downward trend.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 18

15 - NET INTEREST RESULT

It refers to interest income and expenses of the Bank's financial assets and liabilities not classified as At fair value through profit and loss.

	1st sem/2011	1st sem/2010
Interest income	**46,905,123**	**36,293,447**
In Foreign Currencies	**93,476**	**74,052**
In Local Currency	**46,811,647**	**36,219,395**
Securities	43,377,917	34,414,634
Federal Government	2,910,496	1,421,671
Other	523,234	383,090
Interest expenses	**(60,665,476)**	**(43,024,024)**
In Foreign Currencies	**(20,379)**	**(11,292)**
In Local Currency	**(60,645,097)**	**(43,012,732)**
Deposits Received from Financial Institutions	(16,444,384)	(5,427,608)
Committment under agreements	(21,809,047)	(19,040,486)
Federal Government	(21,412,196)	(17,517,159)
Other	(979,470)	(1,027,479)
Net interest result	**(13,760,353)**	**(6,730,577)**

The change in the net interest result in relation to the first semester of 2010 is due mainly to the increase in the SELIC rate in the period, associated with an increase in the average balances of operations with securities, of operations with the Federal Government and of the deposits received from financial institutions.

16 - GAINS (LOSSES) ON FINANCIAL INSTRUMENTS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT AND LOSS – HELD FOR TRADING

They refer to the changes in price of the assets classified in this category and include foreign exchange variation, interest and mark-to-market.

	1st sem/2011	1st sem/2010
In Foreign Currencies	**(17,442,302)**	**14,033,725**
Securities	(17,478,721)	14,010,463
Other	36,419	23,262
In Local Currency	**44,466,493**	**1,893,158**
Derivatives	44,466,494	1,893,172
Other	(1)	(14)
Total	**27,024,191**	**15,926,883**

The explanations for the material changes observed are as follows:

a) securities in foreign currencies - the change is mainly due to the effect of the appreciation of the Real against the US dollar in the first semester of 2011 (note 3.3), the currency in which the major part of the reserves is denominated, while in the first semester of 2010 an opposite movement was verified in the exchange rates;

b) derivatives in local currency - a change resulting from the calculation of a positive result, of larger magnitude, in the foreign exchange equalization operation (notes 13.2 and 19.1).

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 19

17 - GAINS (LOSSES) ON ASSETS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT AND LOSS – BY DESIGNATION OF THE MANAGEMENT

They include interest and mark-to-market of the receivables with the institutions under extrajudicial liquidation (note 9.2).

18 - GAINS (LOSSES) FROM FOREIGN EXCHANGE

They record the result of foreign exchange restatement of the assets and liabilities in foreign currencies and in local currency, pegged to changes in the foreign exchange rates and that are not classified as At fair value through profit and loss.

	1st sem/2011	1st sem/2010
Gains (losses) from foreign exchange		
Cash and Cash Equivalents	(812,699)	74,956
Time Deposits	(3,005,510)	49,666
Committment Under Agreements	(20,548)	(38,538)
Receivables	(52,778)	10,552
Items in the Course of Collection	596,638	(211,123)
Deposits Received from International Financial Organizations	279,185	144,223
Other	33,586	227,293
Total	**(2,982,126)**	**257,029**

The change in gains (losses) from foreign currencies results mainly from:

a) the effect of the appreciation of the Real against the US dollar in the first semester of 2011 (note 3.3), while in the first semester of 2010 an opposite movement was verified in the foreign exchange rates;

b) the increase in the average balance of the time deposits in foreign currencies in the first semester of 2011 in relation to the same period of 2010.

19 - NET INCOME

19.1. Net income for the period

The net income for the period was R$12,230,706 (R$10,803,195 in the first semester of 2010) and resulted mainly from the net interest income on the operations in local currency and from the mark-to-market of the receivables from the institutions under liquidation, since the result on the international reserves and part of the funding cost of liabilities, proportional to the amount of the reserves, were neutralized through the foreign exchange equalization operation, as presented in the table below:

	1st sem/2011	1st sem/2010
International Reserves Operations and Swaps	**-**	**-**
Profitability of the International Reserves	(20,763,799)	14,182,764
Foreign Exchange Derivatives – Swaps in Local Currency	(1,732,793)	-
Foreign Exchange Equalization of Reserves and Derivatives (Profitability)	22,496,592	(14,182,764)
Other transactions in foreign currencies	**412,468**	**170,750**
Transactions in local currency	**12,006,836**	**11,113,972**
Interest income	46,811,647	36,219,395
Interest expenses	(60,645,097)	(43,012,732)
Foreign Exchange Equalization (Funding Cost)	23,702,695	16,075,936
Mark-to-market - Institutions under liquidation	2,137,591	1,831,373
Other transactions in local currency	**(188,598)**	**(481,527)**
Net income for the period	**12,230,706**	**10,803,195**

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 20

In accordance with the applicable legislation, the result for the first semester of 2011 will be transferred to the National Treasury not later than the 10th working day after the approval of these financial statements by the CMN (note 1).

19.2. Comprehensive income

The purpose of the Statement of Comprehensive Income is to disclose the economic results of an entity, increasing the level of disclosure of the results beyond the concept of accounting results, which is usually disclosed through the Income Statement.

For the purpose of providing greater transparency to the results, the Statement of Comprehensive Income discloses the gains and losses recognized directly in net equity.

20 - RELATED PARTIES

20.1. Federal Government

The following table presents the main transactions that took place between the Bank and the Federal Government in the period.

	1st sem/2011	2nd sem/2010
National Treasury Operating Account		
Opening balance	404,516,398	356,522,113
(+) remuneration	21,487,381	17,370,835
(+/-) deposits/redemptions	(822,901)	19,617,158
(+) positive result transferred	5,035,457	11,006,292
Closing balance	430,216,335	404,516,398
Federal Government Securities		
Opening balance	703,175,643	680,944,701
(+/-) net issue/redemption	(23,779,492)	(14,805,008)
(+) remuneration	43,377,917	37,091,012
(+/-) fair value adjustments	(115,655)	(55,062)
Closing balance	722,658,413	703,175,643
Result to be transferred to the National Treasury		
Opening balance	4,929,918	10,806,337
(+) positive result to be transferred	12,233,849	4,929,918
(+) remuneration	105,539	199,955
(-) transfers	(5,035,457)	(11,006,292)
Closing balance	12,233,849	4,929,918
Foreign Exchange Equalization		
Opening balance	-	-
(+) adjustments	46,199,286	46,636,548
(+/-) transfers to payables (receivables)	(46,199,286)	(46,636,548)
Closing balance	-	-
Receivable due to the result of foreign exchange equalization		
Opening balance	48,633,518	1,893,172
(+) foreign exchange equalization result	46,199,286	46,636,548
(+) remuneration	2,910,496	103,798
(-) amounts received	(2,004,479)	-
Closing balance	95,738,821	48,633,518
Transfer under Budget Law	1,036,140	663,691

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20.2. Centrus

The main transactions occurring between the Bank and Centrus were the following:

	1st sem/2011	2nd sem/2010
Actuarial surplus		
Opening balance	1,839,249	3,593,523
(+/-) actuarial gains/losses	-	(1,976,336)
(+) interest	325,497	222,062
Closing balance	2,164,746	1,839,249
Receivables		
Opening balance	289,283	271,892
(+) interest	25,485	17,391
(-) amounts received	3,445	-
Closing balance	318,213	289,283
Payment of management fee	-	2,703

21 - SUBSEQUENT EVENT

On August 12, 2011, Banco Bamerindus – Under Extrajudicial Liquidation signed, based on article 65 of Law 12249 of 2010, a term for paying in installments its debt originating from overdrafts in the Banking Reserves Account with the Bank (9.2.1).

The amount of the debt on the date of its consolidation, which is the same as the date on which the institution manifested its option for payment in installments, is R$ 2,534,308, where the amount of the principal prevails and there is a 25% discount on the amount of the charges, as established in the above-mentioned law.

Payment will be made in 180 consecutive, monthly installments, which will be updated by TR, as is assured to the institutions under liquidation by article 9, main clause, of Law 8177, of March 1, 1991, with the wording given by Law 8218, of August 29, 1991. If the regime for extrajudicial liquidation is terminated, if surplus funds is characterized or there are other legal grounds for removing the levy of TR, the monthly installments will be updated by the SELIC rate.

The term for payment in installments entered into does not imply novation of the debt, and it should be pointed out that the default of the debtor may imply the rescission of the term, with the debt returning to the original situation. Consummation of the payment in installments does not imply automatic closing of the special regime, which may be evaluated at an opportune moment, if it is the case, in accordance with the conditions established in Law 6024, of March 13, 1974.

Due to the methodology for evaluation of the fair value of the receivables from institutions under extrajudicial liquidation establishing the recoverability of these assets based on the fair value of the original collaterals, excluding the preferential receivable for the Bank (note 9.2.1.b), the receivables from Banco Bamerindus – Under Extrajudicial Liquidation present a book value equal to zero at June 30, 2011 (amortized cost less fair value adjustment). However, with the payment of the debt in installments, cash began to flow into the Bank and a positive financial effect of approximately R$2,500,000 was estimated.

22 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

a) Impact and fiscal cost of operations – Fiscal Responsibility Law, paragraph 2 of article 7:

The sole paragraph of article 8 of Law 4595, of 1964, with the wording given by Decree Law 2376, of November 25, 1987, establishes that "as from January 1, 1988, the results obtained by Banco Central do Brasil, considering the income and expenses of all its operations, shall be 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 101 of May 4, 2000):

"*Article 7. The positive result of Banco Central, calculated after the recording or reversal of reserves, constitutes revenue of the National Treasury and will be transferred not later than the 10th working day subsequent to approval of the half-yearly balance sheets.*

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 22

Paragraph 1. The negative result will constitute a liability of the Treasury owed to Banco Central and will be consigned in a specific budget allocation account."

Pursuant to clause II of article 2 of Provisional Measure 2179-36 of August 24, 2001, this negative result must be covered not later than the 10th working day of the year subsequent to the year of approval of the balance sheet by the CMN.

Accordingly:

I - the Bank's result considers the revenues and expenses related to all its operations;

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

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

The Bank presented positive results of R$6,050,591 in the first quarter and R$6,180,115 in the second quarter, giving total results of R$12,230,706 in the first semester of 2011, which, after the realization of reserves, will be transferred to the National Treasury not later than the 10th working day after the approval of the financial statements by the CMN. In conformity with paragraph 5 of article 9 of the Fiscal Responsibility Law, within ninety days of the closing of the semester, the Bank shall present in a joint meeting of the pertinent thematic committees of the National Congress (including the Economic Affairs, Finances and Taxation and Public Budget Committee), an evaluation report on the fulfillment of the objectives and goals of the monetary, credit and foreign exchange policies, clearly showing the impact and the fiscal cost of its operations and the results presented in the balance sheets.

b) Cost of remunerating the National Treasury – Fiscal Responsibility Law, paragraph 3 of article 7:

In the first quarter of 2011, the cost corresponding to the remuneration of the deposits of the National Treasury was R$9,398,205 and in the second quarter it was R$11,908,451 (R$21,306,656 in the semester).

c) Cost of maintaining the foreign exchange reserves – Fiscal Responsibility Law, paragraph 3 of article 7

At June 30, 2011, 87.42% of the reserves assets were composed of sovereign debt securities, as published in the Press Release of the External Sector (table 49), available on the Bank's website (www.bcb.gov.br).

The cost of maintaining the foreign exchange reserves is calculated by the difference between the rate of profitability of the international reserves, including foreign exchange variation, and the average rate of funding calculated by the Bank.

Through this methodology, in the first quarter of 2011, the international reserves presented negative returns of 1.52%. After deducting the Bank's funding costs, the net result of the reserves was negative by 3.76% (R$19,158,111). In the second quarter, the profitability of the reserves was 2.46% negative, totaling 4.78% negative (R$25,308,383) after considering the funding costs.

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousands)	Profitability (%)	(%)	(%)	(R$ thousands)
1st quarter/2011	509,196,199	(1.52)	(2.24)	(3.76)	(19,158,111)
2nd quarter/2011	529,980,354	(2.46)	(2.32)	(4.78)	(25,308,383)
Total for the semester					**(44,466,494)**

It should be pointed out that the foreign exchange restatement presents a difference resulting from the translation of the amounts of the reserves assets into Reais, and does not configure as a realized result from the financial point of view. Therefore, after excluding this restatement, in the first quarter of 2011 the international reserves presented a positive return of 0.06%, which is composed by accrued interest (0.54%) and the mark-to-market of the assets (-0.48%). After deducting the Bank's funding costs, the net result of the reserves was negative by 2.18% (R$11,108,410). In the second quarter, the profitability of the reserves was positive by 1.46% (0.65% through the incorporation of interest and 0.81% through mark-to-market of the assets), totaling 0.86% negative (R$4,550,411) when considering the funding costs.

(The amounts are expressed in thousands of Reais, except when stated otherwise) fl. 23

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousands)	Profitability, excluding exchange restatement (%)	(%)	(%)	(R$ thousands)
1st quarter/2011	509,196,199	0.06	(2.24)	(2.18)	(11,108,410)
2nd quarter/2011	529,980,354	1.46	(2.32)	(0.86)	(4,550,411)
Total for the semester					**(15,658,821)**

d) Profitability of the securities portfolio – Fiscal Responsibility Law, paragraph 3 of article 7:

The profitability of the Bank's securities portfolio, composed exclusively of securities issued by the Federal Government, was R$21,439,299 in the first quarter and R$21,938,680 in the second quarter, totaling R$43,377,970 in the first semester of 2011.

Governor: Alexandre Antonio Tombini

Deputy governors: Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Carlos Hamilton Vasconcelos Araújo, Luiz Awazu Pereira da Silva, Sidnei Corrêa Marques

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Independent auditors' report on the review of the condensed interim financial statements

To
The Governor and Deputy Governors
Banco Central do Brasil
Brasília - DF

Introduction

We have reviewed the condensed interim financial statements of Banco Central do Brasil (the Bank), which comprise the condensed interim balance sheet as of June 30, 2011 and the respective condensed interim statements of income, comprehensive income, changes in net equity and cash flows for the semester then ended. The Bank's Management is responsible for the preparation and the adequate presentation of these condensed interim financial statements in accordance with IAS 34 - Interim Financial Statements, issued by the International Accounting Standards Board (IASB). Our responsibility is to express our conclusion on these condensed interim financial statements based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international interim information review standards (NBC TR 2410 – Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim information consists of making enquiries primarily of the persons responsible for financial and accounting matters and applying analytical and other review procedures. The scope of a review is significantly less than that of an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material issues that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, we are not aware of any fact that may lead us to believe that the aforementioned condensed interim financial statements are not adequately presented, in all material respects, in conformity with IAS 34 - Interim Financial Statements, issued by the International Accounting Standards Board (IASB).

Other issues

Our review was conducted for the purpose of reaching a conclusion with respect to the aforementioned condensed interim financial statements, taken as a whole. The supplementary information included in Note 22 is not required by IAS 34 - Interim Financial Statements, issued by the International Accounting Standards Board (IASB), but is being presented in compliance with the Fiscal Responsibility Law. This supplementary information was submitted to the same review procedures described above and, based on our review, we are not aware of any material changes that should be made to this supplementary information so that it is presented, adequately, in all material respects, in relation to the condensed interim financial statements taken as a whole.

Brasília, August 16, 2011

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF
Original report in Portuguese signed by
Jubran Pereira Pinto Coelho
Accountant CRC MG-077045/O-0 S-DF