BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Condensed Interim Financial Statements

June 30, 2007

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM BALANCE SHEET (as at June 30, 2007)
In Thousands of Reais

ASSETS	Notes	Jun 30, 2007	Dec 31, 2006 (Restated)
ASSETS IN FOREIGN CURRENCIES		**313,897,642**	**200,980,845**
Cash and Cash Equivalents		11,979,448	10,566,592
Time Deposits Placed with Financial Institutions	6	36,224,842	28,009,886
Financial Assets Purchased Under Agreements to Resell	7	9,029,899	1,500,113
Derivatives		9,449	37,640
Debt Securities	8	246,248,132	149,424,976
Credits Receivables		52,178	71,262
Gold		1,419,055	1,526,867
Investments in International Financial Organizations		8,934,031	9,843,509
Other		608	-
ASSETS IN LOCAL CURRENCY		**382,192,041**	**343,871,835**
Deposits		594,783	609,950
Financial Assets Purchased Under Agreements to Resell	7	-	504,501
Derivatives		157,712	1,640
Debt Securities Issued by the Federal Government		323,658,940	303,860,298
Receivables from the Federal Government		31,677,336	14,322,275
Credits Receivable	9	23,110,618	21,615,930
Property, Plant and Equipment		788,577	785,684
Other	10	2,204,075	2,171,557
TOTAL		**696,089,683**	**544,852,680**

LIABILITIES	Notes	Jun 30, 2007	Dec 31, 2006 (Republicado)
LIABILITIES IN FOREIGN CURRENCIES		**29,373,586**	**18,001,253**
Items in the Course of Collection		10,116,150	4,955,147
Deposits Received from Financial Institutions		520	577
Financial Assets Sold Under Agreements to Repurchase	7	9,029,569	1,499,992
Derivatives		2,321	40,729
Loans Payable		1,218,942	1,497,009
Deposits Received from International Financial Organizations		8,978,593	9,940,621
Other		27,491	67,178
LIABILITIES IN LOCAL CURRENCY		**575,968,729**	**432,960,944**
Items in the Course of Collection		758,663	1,076,320
Deposits Received from Financial Institutions		126,792,884	118,438,655
Financial Assets Sold Under Agreements to Repurchase	7	156,960,624	77,871,622
Derivatives		1,140	121,601
Payables to the Federal Government		282,211,406	226,456,810
Accounts Payable	11	2,289,061	2,169,309
Deposits Received from International Financial Organizations		26,757	25,973
Provisions	12	6,905,902	6,778,856
Other		22,292	21,798
CURRENCY IN CIRCULATION		**77,487,205**	**85,824,753**
NET EQUITY	13	**13,260,163**	**8,065,730**
Income Reserve		1,606,019	4,662,369
Revaluation Reserve		482,153	485,564
Gains (Losses) Recognized Directly in Equity		8,595,635	4,090,432
Changes in Accounting Policies - Process of Adopting IFRSs		-	1,906,017
Tranistion adjustments to IFRSs		-	(4,962,367)
Retained Earnings		2,576,356	1,883,715
TOTAL		**696,089,683**	**544,852,680**

(The Explanatory Notes are an integral part of the Condensed Interim Financial Statements)

CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2007
In Thousands of Reais

	Notes	1st SEM/2007	1st SEM/2006 (Restated)
FOREIGN CURRENCIES OPERATIONS		(19,527,571)	(5,216,888)
Interest income		5,482,058	2,777,397
Interest expenses		(146,313)	(217,370)
(=) Net interest income	14	5,335,745	2,560,027
Gains (losses) on financial assets classified as "At fair value through profit or loss"	15	(1,429,916)	(1,032,921)
Gains (losses) from foreign exchange	16	(23,433,400)	(6,743,994)
LOCAL CURRENCY OPERATIONS		(10,306,965)	(7,060,984)
Interest income		20,609,872	43,095,435
Interest expenses		(26,264,901)	(25,913,573)
(=) Net interest income		(5,655,029)	17,181,862
Gains (losses) on financial assets classified as "At fair value through profit or loss"	15	(3,340,796)	(22,743,731)
Gains (losses) on financial assets held for investment purposes		-	(160,711)
Gains (losses) from foreign currency-linked operations	16	(1,311,140)	(1,338,404)
NET PROVISIONS		**-**	**(11,019)**
OTHER INCOME		**908,324**	**534,980**
OTHER EXPENSES		**(1,378,698)**	**(1,117,816)**
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs		**(30,304,910)**	**(12,871,727)**

Suplementary Information Not Required by IFRSs

Net income (Loss) recognized in accordance with IFRSs		(30,304,910)	(12,871,727)
Net result from exchange rate variations and swaps		(29,219,899)	(11,885,803)
Net income (loss) excluding the result from exchange rate variations and swaps	17	(1,085,011)	(985,924)

The Explanatory Notes are an integral parte of the Condensed Interim Financial Statements

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2007 - Note 13
In Thousands of Reais

	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CHANGES IN ACCOUNTING POLICIES - PROCESS OF ADOPTING IFRSs	TRANSITION ADJUSTMENTS TO IFRSs	RETAINED EARNINGS	EQUITY
Balance as at December 31, 2006	4,662,369	485,564	4,090,432	1,906,017	-	2,576,356	13,720,738
Correction of errors	-	-	-	-	-	(692,641)	(692,641)
Transition adjustments to IFRSs	-	-	-	-	(4,962,367)	-	(4,962,367)
Balance as at December 31, 2006 (Adjusted)	**4,662,369**	**485,564**	**4,090,432**	**1,906,017**	**(4,962,367)**	**1,883,715**	**8,065,730**
Realization of Revaluation Reserves	-	(3,411)	-	-	-	3,411	-
Available-for-Sale Financial Assets							
- Gains (losses) recognized in Equity	-	-	4,505,203	-	-	-	4,505,203
Total gains (losses) recognized directly in Equity	**-**	**(3,411)**	**4,505,203**	**-**	**-**	**3,411**	**4,505,203**
Net income (loss) for the Semester	**-**	**-**	**-**	**-**	**-**	**(30,304,910)**	**(30,304,910)**
Total Income and Expenses recognized during the Semester	**-**	**(3,411)**	**4,505,203**	**-**	**-**	**(30,301,499)**	**(25,799,707)**
Realization of Income Reserves	(3,056,350)	-	-	(1,906,017)	4,962,367	-	-
Result to be covered by the National Treasury	-	-	-	-		30,994,140	30,994,140
Balance as at June 30, 2007	**1,606,019**	**482,153**	**8,595,635**	**-**	**-**	**2,576,356**	**13,260,163**
Balance as at December 31, 2005	4,662,369	491,849	(832,625)	1,906,017	-	2,576,356	8,803,966
Changes in accounting policies and correction of errors	-	-	-	-	-	(744,072)	(744,072)
Balance as at December 31, 2005 (Adjusted)	**4,662,369**	**491,849**	**(832,625)**	**1,906,017**	**-**	**1,832,284**	**8,059,894**
Realization of Revaluation Reserves	-	(3,142)	-	-	-	3,142	-
Available-for-Sale Financial Assets							
- Gains (losses) recognized in Equity	-	-	(615,144)	-	-	-	(615,144)
- Gains (losses) reclassified to the Income Statement upon disposal	-	-	559,734	-	-	-	559,734
Total gains (losses) recognized directly in Equity	**-**	**(3,142)**	**(55,410)**	**-**	**-**	**3,142**	**(55,410)**
Net income (loss) for the Semester	**-**	**-**	**-**	**-**	**-**	**(12,871,727)**	**(12,871,727)**
Total Income and Expenses recognized during the Semester	**-**	**(3,142)**	**(55,410)**	**-**	**-**	**(12,868,585)**	**(12,927,137)**
Result to be covered by the National Treasury	-	-	-	-	-	12,746,093	12,746,093
Balance as at June 30, 2006	**4,662,369**	**488,707**	**(888,035)**	**1,906,017**	**-**	**1,709,792**	**7,878,850**

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

CONDENSED INTERIM CASH FLOW STATEMENT - 1st SEMESTER OF 2007
In Thousands of Reais

	2007	2006
NET CASH FLOW FROM OPERATING ACTIVITIES	**3,010,436**	**6,335,557**
Interest received	4,024,682	1,702,645
Interest paid	(32,082)	(269,489)
(Purchases) sales of securities	(109,836,988)	(15,834,701)
Purchases (sales) of foreign currencies	115,606,226	30,757,221
(Placement) redemptions of repurchase and reverse repurchase transa	4,412	25,507
(Placement) redemptions of term deposits	(13,146,320)	5,263,639
Redemptions of deposits received	37,331	215,738
(Payments) receipts on behalf of the National Treasury	6,288,208	(15,607,363)
Credits a receivable	3,438	2,572
Other receipts (payments)	61,529	79,788
NET CASH FLOW FROM FINANCING ACTIVITIES	**(145,658)**	**(161,370)**
Repayments of loan principal	(145,658)	(161,370)
NET CASH FLOW	**2,864,778**	**6,174,187**
CHANGE IN CASH AND CASH EQUIVALENTS	**2,864,778**	**6,174,187**
Cash and cash equivalents at the begining of period	10,566,594	6,208,472
Cash and cash equivalents at the end of period	11,979,450	11,154,241
Effect of exchage rate changes on cash and cash equivalents	(1,451,922)	(1,228,418)

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

1 - BANCO CENTRAL DO BRASIL AND ITS FUNCTIONS

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

The head office of the Bank is located in Brasilia, DF, in the Setor Bancário Sul – Quadra 3, Bloco B, and has offices in nine other states of Brasil.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved these condensed interim financial statements on August 8, 2007. The condensed interim financial statements are available on the Bank’s Internet website (www.bcb.gov.br).

2 - PRESENTATION

The condensed interim financial statements were prepared in accordance with International Financial Reporting Standards (“IFRSs”), considering the following:

a) They have been prepared in conformity with International Accounting Standards – IAS 34 – Interim Financial Reporting, and therefore, do not include all of the information required in a complete set of annual financial statements. Thus, the condensed interim financial statements should be read in conjunction with the annual financial statements prepared as at and for the year ending December 31, 2006;

b) They also reflect the implementation of IFRS 1 - First-time Adoption of International Financial Reporting Standards, as they comprise part of the year to be covered by the first complete set of IFRS annual financial statements;

c) The accounting policies used to prepare the condensed interim financial statements differ from those that were applied in the most recent annual financial statements, as they include the implementation of IAS 19 – Employee Benefits.

d) The comparative 2006 financial information was restated in order to consider January 1, 2006 as the IFRS opening balance sheet date. This change was made in order to allow 2007 to be considered the year of adoption of IFRSs, and December 31, 2007, as the first reporting date of a complete set of annual financial statements prepared in accordance with IFRSs. These restatements were classified as correction of errors in accordance with the IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;

These financial statements are not consolidated financial statements, reflecting only the Bank’s operations, as there are no entities that require consolidation in the Bank’s financial statements.

The Bank did not elect to early adopt IFRS 7 – Financial Instruments: Disclosure and does not expect any impact in the Balance Sheet or Income Statement as a result of its adoption on December 31, 2007.

3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent a summary of the most significant accounting principles used by the Bank; which have been consistently applied in all periods presented in these financial statements and also on the opening balance sheet of Jan 1, 2006, for the purpose of transition to IFRS, as required by IFRS 1.

3.1. Revenue recognition

The Bank recognizes revenue on the accrual basis. Semi-annually, the result of the Bank is transferred to the National Treasury in the event of net income, or otherwise covered by the National Treasury in the event of a net loss (note 17).

3.2. Recognition of interest income and expenses

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

Interest income and expenses presented in the Income Statement include interest income and expenses on all of the Bank’s financial assets and liabilities; regardless of the category in which they are classified.

(Unless otherwise stated, amounts are expressed in thousands of Reais) fl. 6

3.3. Assets and liabilities denominated in foreign currencies

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

	Jun 30, 2007	Dec 31, 2006
Dollar	1.9258	2.1376
Euro	2.6066	2.8193
SDR	2.9187	3.2158
Yen	0.0157	0.0179

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

3.4. Financial Assets and Liabilities

3.4.1 Recognition

Financial assets and liabilities are registered at their fair values on the respective trade date; i.e., on the date the Bank firmly commits itself 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 of the costs directly associated with 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 expire.

The Bank enters into transactions in which it transfers its financial assets to other parities, however, maintains control of such assets by means of retaining the risks of ownership and the rights to the income and expenses generated. These assets are not derecognized from the books and records. The main transactions with these characteristics are repurchase and securities lending agreements.

3.4.3 Offsetting of assets and liabilities

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

3.4.4 Classification of Financial Instruments

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

a) Financial assets 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:

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

b) Available-for-sale

This category includes non-derivative financial assets that are not classified in one of the other categories; and is mainly used when Bank management does not have a specific intention with regard to either maintaining or disposing of the financial asset. These assets are measured at their fair values; with unrealized gains and losses recorded in equity. Such gains and losses are recognized in the income statement when they are effectively realized. Interest on these assets, calculated based on the effective interest method is recognized, on an accrual basis, in the income statement.

c) 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 based on the effective interest method, is recognized in the income statement.

d) 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 valued at amortized cost.

3.4.5 Measurement

Fair value is considered the market value as 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.

Amortized cost is the book value on the recognition date, adjusted for accrued interest based on the contractual interest rate using the effective interest method, accumulated amortization 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
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	*PM fixing* - London Stock Exchange
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Bloomberg
Credits Receivable	Loans and Receivables	Amortized Cost
Investments in International Financial Organizations	Available-for-sale	Redemption value in Reais

Assets in Local Currency	Category	Measurement Basis
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Deposits	Loans and Receivables	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	BM&F Exchange
Debt Securities Issued by the Federal Government	Available-for-sale	Andima
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivable	At Fair Value through Profit or Loss	Present value of the guarantees

Liabilities in Foreign Currencies	Category	Measurement Basis
Items in the Course of Collection	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreements to Repurchase	Other liabilities	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Bloomberg
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Loans Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

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

The fair values of financial instruments measured at amortized cost do not present significant differences from the amortized cost amounts, as these are represented by either short-term or on-demand operations.

3.4.6 Impairment of financial assets

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

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

a) Financial difficulties of the issuer or obligor;
b) The occurrence of default in any payments; whether related to principal or interest;
c) Renegotiations or granting of discounts;
d) Extrajudicial liquidation, bankruptcy or other types of reorganizations;
e) The disappearance of an active market for previously traded financial assets due to financial difficulties of the issuer or obligor.

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

For assets classified as Available-for-sale, when there is objective evidence of impairment, the accumulated loss recognized in equity is recognized in 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 a subsequent period the amount of a previously recognized impairment loss decreases, and the decrease relates to an objectively verifiable event occurring after the impairment was recognized, the amount of the reversal is recognized as a gain; except as pertains to equity investments where previously recognized impairment losses cannot be reversed.

3.4.7 Derivatives

Derivatives are recognized on their respective trade dates at fair value 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 have been created and this benefit can be estimated. Maintenance and repair expenses related to the asset are expensed as incurred.

Land, works of art and precious metals in diverse 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 settle the claim and a reliable estimate of the amount can be made. When it is possible, but not probable that an outflow of economic resources will be necessary to settle the claim, no provision is established. Provisions are adjusted to present value using market interest rates that incorporate similar characteristics and tenures.

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 is one in which the value of the benefit to the employee at the moment of retirement is predetermined, in view of 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. The value of the obligations is calculated annually by independent actuaries.

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 (note 10), which represents an economic benefit available to the Bank.

3.7. Tax immunity

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

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, 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.

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

4 - TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Bank's financial statements were prepared in accordance with the accounting practices defined by the National Monetary Council (CMN), which determined, in 2003, the gradual adoption by the Bank of International Financial Reporting Standards (IFRSs). This process was substantially completed during the 2004 exercise, and since January 1, 2005, the only remaining IFRS adaptation referred to the implementation of International Accounting Standard 19 (IAS 19) – Employee Benefits.

The initial forecast for the conclusion of the conversion process was December 31, 2006, with the IFRS opening balance sheet designated as January 1, 2005, and the condensed interim financial statements of June 30, 2006 being the first interim financial statements presented in accordance with IAS 34 – Interim Financial Reporting.

However, in light of delays in concluding the necessary actuarial calculations in order to implement IAS 19 – Employee Benefits, the established time-frame was not adhered to; with the following consequences:

a) January 1, 2005 was no longer considered the IFRS opening balance sheet date;

b) The amounts originally registered as IFRS Transition Adjustments, in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards, were reclassified in accordance with the provisions of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;

c) Contrary to the expectation at June 30, 2006, the December 31, 2006 financial statements were not the Bank's first complete set of annual financial statements prepared in accordance with IFRSs;

d) Implementation of IAS 19 – Employee Benefits in the current semester, with retroactive application as from January 1, 2006, and the consideration of 2007 as the year of adoption of IFRS.

The transition adjustments shown in the following table arose from the application of IAS 19 – Employee Benefits (note 12), which resulted in the recognition of the associated assets and liabilities.

(Unless otherwise stated, amounts are expressed in thousands of Reais) fl. 10

	Previous Accounting Standards	Transition Adjustments	IFRS Opening Balance
Assets in Local Currency			
Credits receivable - Linked to retirement payments	1,972,268	(1,776,535)	195,733
Actuarial surplus	-	1,704,554	1,704,554
Liabilities in Local Currency			
Provisions for actuarial liabilities	86,859	4,890,386	4,977,245
Net Equity			
Transition Adjustments to IFRS	-	(4,962,367)	(4,962,367)

In accordance with IFRS 1, the bank used the following exemptions upon initial adoption of IFRSs:

a) designation of previously recognized financial instruments – the Bank classified the receivables from financial institutions under extrajudicial liquidation in the category At Fair Value Through Profit and Loss. This reclassification did not impact the financial statements as these assets were already valued at fair value;

b) the Bank considered the initial cost basis of property, plant and equipment under IFRS as the value of the last revaluations made.

As the conversion to IFRSs was a gradual process, with the final adaptations made in the opening balance sheet of January 1, 2006, there is no other set of financial statements prepared in accordance with the accounting standards approved by the CMN for the year of 2006; making the presentation of all of the reconciliations prescribed in IFRS 1 not applicable to the Bank.

5 - RECLASSIFICATIONS AND RESTATEMENTS

The adjustments to the 2006 comparative amounts were made in order to reflect the transition adjustments made at January 1, 2006 (note 12) and also to correct the Accounts Payable balance due to the non-recognition of two court-ordered payment orders that were temporarily suspended (note 11). There were also reclassifications made in the income statement in order to achieve uniformity in the financial information of the first and second semesters of 2006.

a) Balance Sheet

	Dec 31, 2006 Published Amounts	Correction of Errors	Reclassifications	Dec 31, 2006 Restated Amounts
Asset in Local Currency				
Credits receivables	23,287,301	(1,671,371)	-	21,615,930
Actuarial surplus	-	2,094,331	-	2,094,331
Liabilities in Local Currency				
Accounts payable	1,635,015	534,294	-	2,169,309
Provisions	1,235,182	5,543,674	-	6,778,856
Net Equity				
Transition adjustments to the IFRS	-	(4,962,367)	-	(4,962,367)
Retained earnings	2,576,356	(692,641)	-	1,883,715

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b) Income statement

	Jun 30, 2006 Published Amounts	Correction of Errors	Reclassifications	Jun 30, 2006 Restated Amounts
Foreign Currencies Operations				
Gains (losses) from foreign exchange	(6,742,188)	-	(1,806)	(6,743,994)
Local Currency Operations				
Interest income	42,377,784	717,651	-	43,095,435
Interest expenses	(24,760,292)	(1,153,281)	-	(25,913,573)
Gains (losses) on financial assets classified as "At fair value through profit or loss"	(22,743,787)	-	56	(22,743,731)
Gains (losses) on financial assets from foreign currency-linked operations	(1,340,210)	-	1,806	(1,338,404)
Other Income	**535,071**	-	(91)	**534,980**
Other Expenses	**(1,205,710)**	87,859	35	**(1,117,816)**

6 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

The variation of time deposits placed with financial institutions in the period is due to the increase in the International Reserves, as a result of the purchase of foreign currencies in the domestic market.

7 - FINANCIAL ASSETS PURCHASED UNDER AGREEMENT TO RESELL (REVERSE REPOS) / SOLD UNDER AGREEMENTS TO REPURCHASE (REPOS)

The variation in the repos balance in local currency reflects the intervention of the Bank in managing market liquidity. In the current semester, liquidity was mainly impacted by the acquisition of foreign currencies in the domestic market. In the foreign currencies balance, the variations reflect the growth of the international reserves.

8 - DEBT SECURITIES IN FOREIGN CURRENCIES

	Jun 30, 2007	Dec 31, 2006
Uncommitted Securities	**236,249,770**	**148,126,612**
1 month	2,627,360	403,671
1 to 6 months	11,804,252	3,636,621
6 to 12 months	25,278,719	11,862,501
1 to 5 years	165,460,896	124,564,980
more than 5 years	31,078,543	7,658,839
Securities linked to repurchase agreements	**9,040,095**	**1,289,730**
1 to 5 years	2,115,341	861,823
more than 5 years	6,924,754	427,907
Securities granted as collateral	**1,302**	**3,741**
1 to 5 years	1,302	3,741
Securities sold to be delivered	**956,965**	**4,893**
6 to 12 months	386,254	-
1 to 5 years	563,160	-
more than 5 years	7,551	4,893
TOTAL	**246,248,132**	**149,424,976**

These refer to fixed rate debt securities, issued by both sovereign national treasuries and governmental agencies. The portfolio is part of Brazil's international reserves for which the objectives are (i) to diversify investments and risks, (ii) to enhance profitability and (iii) to maintain different levels of liquidity.

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These securities are classified in the "At Fair Value through profit and Loss" category. The table below shows the cost and the carrying amount of these assets:

	Jun 30, 2007	Dec 31, 2006
Cost	247,781,675	149,538,417
Mark-to-market adjustments	(1,533,543)	(113,441)
Carrying amount	246,248,132	149,424,976

The variation in the period is due to the increase in the International Reserves, as a result of the purchase of foreign currencies in the domestic market.

9 - CREDITS RECEIVABLE

Jun 30, 2007

	Cost	Mark-to-market	Carrying amount
At fair value through profit and loss	**43,333,910**	**(20,257,793)**	**23,076,117**
Banco Nacional - Under extrajudicial liquidation	20,783,287	(8,137,176)	12,646,111
Banco Econômico - Under extrajudicial liquidation	17,710,936	(8,637,180)	9,073,756
Banco Mercantil - Under extrajudicial liquidation	1,356,250	-	1,356,250
Banco Banorte - Under extrajudicial liquidation	684,326	(684,326)	-
Banco Bamerindus - Under extrajudicial liquidation	2,799,111	(2,799,111)	-
Loans and Receivables	**34,501**	**-**	**34,501**
Centrus	9,191	-	9,191
Others	25,310	-	25,310
Total	**43,368,411**	**(20,257,793)**	**23,110,618**

Dec 31, 2006

	Cost	Mark-to-market	Carrying amount
At fair value through profit and loss	**42,971,447**	**(21,392,349)**	**21,579,098**
Banco Nacional - Under extrajudicial liquidation	20,351,038	(10,584,633)	9,766,405
Banco Econômico - Under extrajudicial liquidation	17,723,442	(7,357,212)	10,366,230
Banco Mercantil - Under extrajudicial liquidation	1,446,463	-	1,446,463
Banco Banorte - Under extrajudicial liquidation	675,702	(675,702)	-
Banco Bamerindus - Under extrajudicial liquidation	2,774,802	(2,774,802)	-
Loans and Receivables	**36,832**	**-**	**36,832**
Centrus	8,002	-	8,002
Others	28,830	-	28,830
Total	**43,008,279**	**(21,392,349)**	**21,615,930**

a) At fair value through profit and loss

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

These receivables are actualized based on the sole paragraph of Article 26 of the 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). The fair value of these credits was measured based on the fair value of the collateral; excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes) up to the limits of the collateral. However, in this semester, certain of the amounts calculated as the fair value of the guarantees, in excess of the respective receivables balances, were used in the calculations of the fair value of the balances arising from the overdraft accounts. This caused an overstatement in the estimate of the fair value of these credits in the amount of R$ 839,930. These calculations were regularized in July of 2007, however, there was insufficient time in order to make the corrections as from June 30, 2007.

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The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6.024/74) and the Bankruptcy Law (Law 11.101/05). This legislation determines, among others:

- Suspension of the previously stated periods for the settlement of the obligations;
- That the payment of the liabilities shall be made in accordance with the order of preference established by law; as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages, secured creditors, tax liabilities and unsecured creditors;
- The establishment of a general table of creditors in order 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, consisting of the form of sale (i.e. direct sale or auction, individual assets or groups of assets)

The amortizations since the legal dates of the respective extrajudicial liquidations were allocated against the receivables originated from the financial assistance provided to the institutions in the form of PROER loans. It is important to note that these amounts are subject to alteration due to the fact that the option legally granted to the debtors, allowing them to, in the existence of more than a single debt balance with different characteristics, opt to have the amortization recorded against the debt balance that is most convenient in the circumstances, was not observed. 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 forecasted, although it is important to note that a majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees.

b) **Loans and receivables** – Reclassification as explained in note 5.

10 - OTHERS

	Jun 30, 2007	Dec 31, 2006
Actuarial surplus - Centrus	2,100,736	2,094,331
Others	103,339	77,226
Total	2,204,075	2,171,557

The actuarial surplus represents the excess of plan assets in relation to the plan obligations of the Centrus retirement plan (note 12) for which it is considered that there is real expectation of recovery.

11 - ACCOUNTS PAYABLE

The Accounts Payable balance, at December 31, 2006, was restated as a result of the recognition of two court-ordered payment orders that are under temporary suspension due to the fact that the respective matters are being discussed in the courts (note 5).

12 - PROVISIONS

	Jun 30, 2007	Dec 31, 2006
Legal claims	1,299,222	1,148,323
Actuarial liabilities	5,583,409	5,607,262
Other	23,271	23,271
Total	6,905,902	6,778,856

The bank sponsors post-employment benefit plans for its employees; which include retirement, pension and health care benefits. A summary of the existing plans, and the main assumptions used in the actuarial calculations, is presented below:

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a) Retirement benefits to the employees retired up to 1990 – Centrus

A defined benefit plan whose purpose is to provide complementary benefits to the retirement and pension benefits paid by the social welfare system to employees who retired up to 1990. The plan is funded by contributions of the plan sponsor and the retired employees, allocated to Centrus, which is responsible for the management of the plan assets and payments. This plan is winding-down as no new participants are permitted.

b) Retirement benefits to the civil servants retired after 1990

A defined benefit plan whose purpose is to provide for the payment of retirements and pensions in accordance with the Federal Constitution and Law 8,112.

In view of current law, this plan is funded by resources of the Bank. The actuarial liability is recognized as a provision, and the plan assets are administered by Centrus.

c) Health-care benefíts

A defined benefit plan whose purpose is the maintenance of a program designed to provide funding for the prevention of diseases and the maintenance and recovery of the health of the Bank's employees and their dependents.

The plan is funded by contributions of the plan sponsor and the Bank's employees. The employees pay a portion of the expenses incurred as prescribed by applicable regulation.

The contributions are allocated to the Faspe Fund, which is responsible for administering the plan's resources and for the payment of the benefits.

d) Actuarial calculations

The following table shows the information used in the actuarial calculations and the movements in the period of the respective amounts:

Provision Calculation	Jun 30, 2007			Dec 31, 2006		
	RJU	Centrus	Faspe	RJU	Centrus	Faspe
Present value of the actuarial obligations for funded plans	6,673,038	2,404,340	475,052	6,905,610	2,522,402	494,220
(-) Fair value of the plan's assets	(1,510,603)	(4,505,076)	(54,078)	(1,725,826)	(4,616,733)	(66,742)
Net actuarial liabilities (asset)	5,162,435	(2,100,736)	420,974	5,179,784	(2,094,331)	427,478
Actuarial liabilities (asset) recognized in the balance sheet	5,162,435	(2,100,736)	420,974	5,179,784	(2,094,331)	427,478

Present value of the obligations - reconciliation	Jun 30, 2007			Dec 31, 2006		
	RJU	Centrus	Faspe	RJU	Centrus	Faspe
Present value of the actuarial obligations for funded plans at the beginning of the period	6,905,610	2,522,402	494,220	6,425,379	2,436,542	459,029
(+) Service cost of current period	-	-	-	101,371	-	25,502
(+) Interest cost	-	-	-	832,209	314,302	56,784
(-) Benefits paid in the period	(232,572)	(124,467)	(40,688)	(453,349)	(242,212)	(87,937)
(+) Participants contribuitions	-	6,405	21,520	-	13,770	40,842
(=) Present value of the actuarial obligations at the end of the period	6,673,038	2,404,340	475,052	6,905,610	2,522,402	494,220

Plan assets - reconciliation	Jun 30, 2007			Dec 31, 2006		
	RJU	Centrus	Faspe	RJU	Centrus	Faspe
Fair value of the plan assets at the begining of the period	1,725,826	4,616,733	66,742	1,834,257	4,141,096	70,772
(-) Paid benefits	(215,223)	(124,467)	(40,688)	(453,349)	(242,212)	(87,937)
(+) Participants contributions	-	6,405	21,520	-	13,770	40,842
(+) Sponsor contributions	-	6,405	6,504	-	13,770	39,441
(+) Assets expected yield	-	-	-	344,918	690,309	3,624
Fair value of the plan assets at the end of the period	1,510,603	4,505,076	54,078	1,725,826	4,616,733	66,742

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Plan assets - percentage	Jun 30, 2007 RJU	Jun 30, 2007 Centrus	Jun 30, 2007 Faspe	Dec 31, 2006 RJU	Dec 31, 2006 Centrus	Dec 31, 2006 Faspe
Stocks	39.8%	39.8%	-	47.0%	47.0%	-
Debt securities issued by the Federal Government	42.8%	42.8%	54.0%	38.8%	38.8%	70.6%
Property	4.2%	4.2%	-	4.8%	4.8%	-
Other	13.2%	13.2%	46.0%	9.4%	9.4%	29.4%

Income and expenses recognized in the Income Statement	30.6.2007 RJU	30.6.2007 Centrus	30.6.2007 Faspe	31.12.2006 RJU	31.12.2006 Centrus	31.12.2006 Faspe
Other Expenses						
Service cost of the current period	-	-	-	101,371	-	25,502
Interest Income						
Expected yield from the plan assets	-	-	-	344,918	690,309	3,624
Interest expense						
Interest cost	-	-	-	832,209	314,302	56,784

Actuarial assumptions	Dec 31, 2005 RJU	Dec 31, 2005 Centrus	Dec 31, 2005 Faspe
Number of active employees	4,550	-	4,368
Number of retired employees	3,279	1,041	4,288
Number of pensioners	200	547	708
Discount rate	13.6%	13.6%	13.6%
Expected return from plan assets	17.5%	17.5%	12.3%
Inflation rate	4.5%	4.5%	4.5%
Rate of contribution for retired employees	-	7.5%	1 a 3%
Rate of contribution for plan sponsor	-	7.5%	até 3%
Salary growth expectation	7.8%	-	-
Medical costs trend rates	-	-	18.7%
General mortality table	AT 2000	AT 2000	AT 2000
Disabled employees mortality table	EX IAPC	EX IAPC	EX IAPC
Disability retirement table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Other information

– There was no actuarial report prepared at December 31, 2006, and for that reason, the balances related to the implementation of IAS 19 – Employee Benefits are subject to restatements in the financial statements to be published at December 31, 2007;

– In the coming year, the Bank expects to pay R$25,980 to Centrus and R$43,506 to Faspe as contributions;

– The actual returns on the plan's assets in 2006 were used as the estimated returns at December 31, 2005. This was possible due to the fact that the December 31, 2005 calculations were made retroactively in the current year. Thus, the actual returns were known at the time of the calculations;

– The growth rate of medical costs was calculated based on the historical growth of medical costs of the plan over the last four years.

13 - NET EQUITY

13.1. Retained Earnings

Retained earnings correspond to the Bank's accumulated result, which up to 1987 was incorporated into the Bank's equity. The balances as at December 31, 2006 have been adjusted due to the correction of errors in relation to Accounts Payable (note 11) and the recognition of post-employment benefit liabilities in accordance with IAS 19 – Employee benefits (note 12), made as of January 1, 2006, in order to permit for conclusion of the transition to IFRSs in 2007.

13.2. Gains (Losses) recognized Directly in Equity

Corresponds to mark-to-market adjustments of financial instruments classified in the category Available-for-sale. The variation was due to the interest rate reduction that took place in the period.

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13.3. Allocation of the Result to be Covered by the National Treasury

Net (loss) of the 1st semester of 2007	**(30,304,910)**
Changes in accounting policies - process of adopting IFRSs	1,906,017
Net IFRS transition adjustments	(4,962,367)
Correction of errors	(692,641)
Realization of revaluation reserve	3,411
Realization of income reserve	3,056,350
Result to be covered by the National Treasury	**(30,994,140)**

The net income (loss) recognized in the period (note 17) is transferred to, or covered by, the National Treasury after constitution or reversal of reserves. In the current semester, the adjustments due to correction of errors (note 5), as well as the implications of the adoption of IFRSs, which were neutralized by the realization of the income reserve in an equivalent amount, were included in the amount to be covered.

14 - NET INTEREST INCOME

	1st sem/2007	1st sem/2006
Foreign currencies operations		
Interest income	**5,482,058**	**2,777,397**
Securities operations	4,512,970	1,884,253
Deposits	964,581	733,325
Other	4,507	159,819
Interest expenses	**(146,313)**	**(217,370)**
Securities operations	(89,970)	(132,165)
Loans	(30,514)	(42,586)
Other	(25,829)	(42,619)
Net result	**5,335,745**	**2,560,027**
Local currency operations		
Interes income	**20,609,872**	**43,095,435**
Securities operations	19,681,822	22,185,613
Credit operations	687,195	19,092,135
Other	240,855	1,817,687
Interest expenses	**(26,264,901)**	**(25,913,573)**
Securities operations	(8,140,122)	(6,578,115)
Deposits	(4,166,126)	(4,311,800)
Federal Government	(13,419,022)	(13,513,515)
Other	(539,631)	(1,510,143)
Net result	**(5,655,029)**	**17,181,862**
Total interest income	**26,091,930**	**45,872,832**
Total interest expenses	**(26,411,214)**	**(26,130,943)**
Total interest result	**(319,284)**	**19,741,889**

The following explanations correspond to the most significant variations observed:

a) Interest income in foreign currencies – Securities operations – the variation was due to the growth of the securities portfolio that occurred in the semester (note 8);

b) Interest expenses in local currency – Securities operations – The variation reflects the growth in the volume of repos (note 7);

c) Interest income in local currency – Credit operations – The reduction was due to the change in the indexers applied to the receivables from institutions under extrajudicial liquidation that took place in the 1st semester of 2006; which had impacts retroactive to the date the credit was conceded. This change did not cause a significant net impact on the result, as it generated similar offsetting expenses in the fair value adjustments (Note 15).

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

	1st sem/2007	1st sem/2006
Foreign currencies operations	**(1,429,916)**	**(1,032,921)**
Derivatives	80,629	(2,973)
Securities	(1,510,545)	(1,029,948)
Local currency operations	**(3,340,796)**	**(22,743,731)**
Derivatives	(4,475,358)	(3,803,405)
Credits receivables from financial institutions under extrajudicial liquidation (Note 9)	1,134,556	(18,940,382)
Other	6	56

The following explanations correspond to the most significant variations observed:

a) Securities in foreign currencies – the variation occurred due to the growth of the securities portfolio (note 8);

b) Receivables from financial institutions under extrajudicial liquidation – (note 14).

16 - GAINS (LOSSES) FROM FOREIGN EXCHANGE AND GAINS (LOSSES) FROM FOREIGN CURRENCY-LINKED OPERATIONS

	1st sem/2007	1st sem/2006
Foreign currencies operations	**(23,433,400)**	**(6,743,994)**
Securities	(20,426,399)	(5,323,004)
Deposits	(3,546,593)	(1,240,856)
Loans payables	127,370	(87,569)
Other	412,222	(92,565)
Local currency operations	**(1,311,140)**	**(1,338,404)**
Debt securities issued by the Federal Government	(1,316,381)	(1,880,307)
Debt securities in issue	-	518,693
Other	5,241	23,210

The variation is due to the valuation of the local currency in relation to the main foreign currencies.

17 - NET INCOME

The net loss in the semester, excluding the result from exchange variations and swaps, in the first semester of 2007, shown in the Supplementary Information Not Required by IFRSs, was R$1,085,011. Furthermore, since the Bank is responsible for carrying as part of its assets the resources that comprise the international reserves, and the currency swaps, it presents a negative result whenever the local currency increases in value against foreign currencies. On the other hand, this benefits the National Treasury, which holds the sovereign foreign currencies liabilities, mainly represented by the external public debt. The result from exchange rate variations and swaps, shown in the same table, was negative in R$29,219,899, totaling a negative result of R$30,304,910 for the semester.

In accordance with applicable legislation, the result from the 1st semester of 2007 will be covered by the National Treasury in January of 2008, through the delivery of debt securities issued by the Federal Government to the Bank.

18 - RELATED PARTIES

18.1. The Brazilian Federal Government

The following table presents the main transactions that took place in the semester between the Bank and the Brazilian Federal Government:

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	1st sem/2007	2nd sem/2006
National Treasury Operating Account		
Opening balance	226,047,319	191,872,443
(+) remuneration	13,121,710	12,481,294
(+) deposits	42,342,868	21,693,582
Closing balance	281,511,897	226,047,319
Federal Government Debt Securities		
Opening balance	303,860,298	297,993,798
(-) net redemptions	(3,914,085)	(18,494,315)
(+) remuneration	18,347,486	19,942,046
(+) mark-to-market adjustments	5,365,241	4,418,769
Closing balance	323,658,940	303,860,298
Result to be covered by the National Treasury		
Opening balance	14,284,589	12,746,093
(+) remuneration	106,735	898,547
(-) payments	(13,711,883)	-
(+) negative result to be covered	30,994,140	639,949
Closing balance	31,673,581	14,284,589
Transfer under Budget Law	226,454	398,000

18.2. Centrus

The following table presents the main transactions that took place in the semester between the Bank and Centrus (Fundação Banco Central de Previdência Privada):

	1st sem/2007	2nd sem/2006
Resources managed by Centrus		
Opening balance	1,725,826	1,882,007
(+) interest	-	75,136
(-) amounts received	(215,223)	(231,317)
Closing balance	1,510,603	1,725,826
Actuarial Surplus		
Opening balance	2,094,331	2,086,960
(+) contributions	6,405	7,371
Closing balance	2,100,736	2,094,331
Mathematical Reserves to be paid-up		
Opening balance	1,093,020	1,036,725
(+) interest	48,720	56,295
Closing balance	1,141,740	1,093,020
Payment of Management Fees	6,249	11,677

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 2,376/1987, stipulates that “the results obtained by Banco Central do Brasil, considering the revenues and expenses of all its operations, shall be, effective from January 1, 1988, determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years”.

This provision was partially amended by the Fiscal Responsibility Law:

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

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

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

Therefore:

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

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

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

The Bank experienced a deficit of R$9,910,367 in the first quarter, and a deficit of R$20,394,543 in the second quarter, totaling a negative result of R$30,304,910 for the first half of the year. After realization of revaluation reserves, this result will be covered by the National Treasury not later than the tenth business day of the exercise following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the interested committees of the National Congress, an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies; and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

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

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$6,399,511 in the first quarter of 2007 and to R$7,019,511 in the second quarter of 2007 (R$13,419,022 for 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 as the difference between the yield on the international reserves and the average rate of the Bank's liabilities.

	International Reserves		Cost of funding	Cost of maintaining international reserves	
	Average Balance (R$ '000)	Profitability (%)	(%)	(%)	(R$ '000)
1st quarter	203,930,558	(2.63)	2.02	(4.65)	(9,482,771)
2nd quarter	257,475,621	(5.47)	3.77	(9.24)	(23,790,747)
Total during the semester	-	-	-	-	**(33,273,518)**

In the second quarter, with an average daily balance of R$257,475,621, the international reserves yielded a negative result of 5.47%, considering the valuation of the Real against the main foreign currencies. The exclusion of the average cost of the Bank's liabilities, 3.77%, resulted in a net negative result of 9.24% (R$23,790,747) on the international reserves.

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

Debt securities issued by the Federal Government	Income	Expenses	Result
1st quarter	10,083,538	(561,579)	**9,521,959**
2nd quarter	9,580,327	(754,802)	**8,825,525**
Total in the semester	**19,663,865**	**(1,316,381)**	**18,347,484**

In the second quarter, the positive result is mostly explained by the interests earnings. The expenses are a consequence of the exchange rate variations and its impact on the NTN-D government debt.

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Board of Directors
Alexandre Antonio Tombini
Antonio Gustavo Matos do Vale
Mário Magalhães Carvalho Mesquita
Mario Gomes Torós
Paulo Sérgio Cavalheiro
Paulo Vieira da Cunha

Head of the Accounting and Financial Department
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Independent Auditors' Report on Review of Interim Financial Statements

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

1. We have reviewed the accompanying condensed interim balance sheet of Banco Central do Brasil (the "Bank") as at June 30, 2007, and the related condensed interim statements of income, changes in equity and cash flows for the six month period then ended (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with 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*; and in observance of auditing standards for review engagements applicable in Brasil. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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. As described in Note 2, these condensed interim financial statements contemplate part of the period to be covered by the first complete set of annual financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRSs"). The full adoption of IFRSs in 2007 was made possible by the application of International Accounting Standard ("IAS") 19 – *Employee Benefits* in these condensed interim financial statements, for the first time, concluding the transition process of the Bank to IFRSs. The comparative financial information was restated in order to retroactively reflect the implementation of IAS 19 as from the IFRS opening balance sheet date; which was treated as the correction of an error in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, as described in Note 4.

4. Due to the fact that no actuarial calculations were prepared as at December 31, 2006, in violation of IAS 19, the 2006 comparative financial information may require further adjustment in the December 31, 2007 annual financial statements, and it was not possible to make all of the disclosures required by IAS 19 in these condensed interim financial statements. Furthermore, IAS 34 was not complied with in its entirety as amounts reported in interim financial statements pertaining to defined benefit plans are based, largely, on the actuarial report prepared at the end of the previous annual period.

5. As disclosed in Note 9, the fair value of the receivables from financial institutions under extrajudicial liquidation, arising from the PROER loans, should be calculated based on the fair value of the underlying collateral; excluding amounts owed by the financial institutions to preferential creditors, up to the amount of the outstanding collateralized loan balances. On the other hand, the receivables arising from the negative account balances (overdrafts) in the institutions' reserve accounts, which are not collateralized, should be 100% provided for; even if there is an excess of guarantees over the collateralized loan balance for a given institution. These measurement criteria were not correctly applied in these condensed interim financial statements, as certain excesses in guarantees related to PROER loans were used to offset a portion of the provision that should have been made against the receivables balance arising from the reserve account of the respective institution, resulting in an overstatement of the estimated fair value of the receivables from financial institutions under extrajudicial liquidation of R$ 839,930 thousand at June 30, 2007.

6. Our examination of the provision for legal claims, at December 31, 2006, revealed the existence of a significant number of inconsistencies in the information utilized, which made it impracticable to evaluate the adequacy of the provision. Based on our updated understanding obtained during the current interim period, such inconsistencies continued to exist; making it impracticable to apply review procedures to the provision for legal claims which amounted to R$ 1,299,222 thousand at June 30, 2007.

7. Based on our review, except as discussed in paragraphs 4, 5 and 6, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements, at June 30, 2007, are not prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting*.

8. Our review was conducted for the purpose of expressing a conclusion on the condensed interim financial statements taken as a whole. The supplementary information included in the income statement (with additional complementary information included in Note 17), and in Note 19, is not required information in accordance with the Bank's accounting framework, and is being presented for purposes of additional analysis and in compliance with the Fiscal Responsibility Law, respectively. Such 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.

August 29, 2007

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF

Original report in Portuguese signed by:
Ricardo Anhesini Souza
Contador CRC 1SP152233/O-6 S-DF