



**BANCO CENTRAL DO BRASIL**  
Administration Management  
Accounting and Financial Department

# **Condensed Interim Financial Statements**

June 30, 2009

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM BALANCE SHEET (as at June 30, 2009)**  
**In Thousands of Reais**

1

<b>ASSETS</b>	<b>Notes</b>	<b>Jun 30, 2009</b>	<b>Dec 31, 2008</b>	<b>LIABILITIES</b>	<b>Notes</b>	<b>Jun 30, 2009</b>	<b>Dec 31, 2008</b>
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>439,630,089</u></b>	<b><u>512,512,891</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>31,930,962</u></b>	<b><u>29,842,296</u></b>
Cash and Cash Equivalents	6	17,397,722	5,298,870	Items in the Course of Collection	12	13,180,825	2,871,375
Time Deposits Placed with Financial Institutions	6	3,681,511	4,502,885	Deposits Received from Financial Institutions		527	631
Financial Assets Purchased Under Resell Agreement	7	11,333,073	25,239,270	Financial Assets Sold Under Repurchase Agreement	7	8,210,207	14,161,569
Derivatives		17,003	31,271	Derivatives		3,663	102,562
Debt Securities	9	385,403,665	453,186,973	Accounts Payable		1,237,967	1,485,861
Credits Receivable		10,556,193	10,987,472	Deposits Received from International Financial Organizations		9,296,751	11,219,310
Gold		1,970,107	2,195,773	Other		1,022	988
Investments in International Financial Organizations		9,270,815	11,070,364				
Other		-	13				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>631,481,873</u></b>	<b><u>534,579,563</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>921,875,369</u></b>	<b><u>887,431,843</u></b>
Cash and Cash Equivalents		14	2,382,660	Items in the Course of Collection		254,744	22
Deposits		611,156	607,935	Deposits Received from Financial Institutions		94,906,469	90,035,395
Financial Assets Purchased Under Resell Agreement	7	22,106	44,298	Financial Assets Sold Under Repurchase Agreement	7	414,730,870	345,735,757
Derivatives	8	27,136	1,546,385	Derivatives	8	7,926	628,550
Debt Securities	9	502,855,398	496,741,066	Payables to the Federal Government	10	397,749,103	437,426,384
Receivables from the Federal Government	10	94,725,856	14	Accounts Payable		1,323,851	1,157,348
Credits Receivable	11	29,634,725	29,910,234	Deposit Received from International Financial Organizations		583	5,716
Property, Plant and Equipment		773,608	784,459	Provisions		12,879,477	12,402,781
Other		2,831,874	2,562,512	Other		22,346	39,890
				<b>CURRENCY IN CIRCULATION</b>	13	<b><u>103,474,382</u></b>	<b><u>115,590,704</u></b>
				<b>NET EQUITY</b>		<b><u>13,831,249</u></b>	<b><u>14,227,611</u></b>
				Capital		13,072,428	13,072,428
				Income Reserve		1,606,019	1,606,019
				Revaluation Reserve		469,583	472,725
				Gains (Losses) Recognized Directly in Equity	14	(1,316,781)	(923,561)
<b>TOTAL</b>		<b><u>1,071,111,962</u></b>	<b><u>1,047,092,454</u></b>	<b>TOTAL</b>		<b><u>1,071,111,962</u></b>	<b><u>1,047,092,454</u></b>

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

**CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2009**
**2**
**In Thousands of Reais**

	<b>Notes</b>	<b>1st sem/2009</b>	<b>1st sem/2008 Reclassified</b>
Interest income		27,237,374	23,555,849
Interest expenses		<u>(44,324,561)</u>	<u>(33,383,044)</u>
(=) Net interest income	<b>15</b>	(17,087,187)	(9,827,195)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	<b>16</b>	20,169,687	12,965,876
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	<b>17</b>	(271,894)	305,551
Gains (losses) on foreign exchange	<b>18</b>	(3,310,964)	61,152
<b>OTHER INCOME</b>	<b>19</b>	825,209	921,730
<b>OTHER EXPENSES</b>	<b>19</b>	(1,266,452)	(1,254,374)
<b>NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs</b>	<b>20</b>	<u><b>(941,601)</b></u>	<u><b>3,172,740</b></u>

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - 1st SEMESTER OF 2009**  
**In Thousands of Reais**

**3**

	<b>Notes</b>	<b>1st sem/2009</b>	<b>1st sem/2008</b>
<b>INCOME STATEMENT FOR THE SEMESTER</b>	<b>20.1</b>	<b>(941,601)</b>	<b>3,172,740</b>
<b>Gains (losses) recognized in Interim Statement of Comprehensive Income</b>		<b>(396,362)</b>	<b>(929,487)</b>
Realization of Revaluation Reserves		(3,142)	(3,143)
Available-for-sale Financial Assets		<u>(393,220)</u>	<u>(926,344)</u>
Gains (Losses) recognized in Equity		(169,488)	(843,129)
(Gains) Losses transferred to Income		(223,732)	(83,215)
<b>NET COMPREHENSIVE INCOME FOR THE SEMESTER</b>	<b>20.2</b>	<b>(1,337,963)</b>	<b>2,243,253</b>

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2009**  
**In Thousands of Reais**

4

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CAPITAL	NET EQUITY
<b>Balance as at December 31, 2008</b>		<b>1,606,019</b>	<b>472,725</b>	<b>(923,561)</b>	<b>13,072,428</b>	<b>14,227,611</b>
Realization of Revaluation Reserves		-	(3,142)	-	3,142	-
Available-for-sale Financial Assets						
- Gains (Losses) recognized in Equity		-	-	(169,488)	-	(169,488)
- (Gains) Losses transferred to Income		-	-	(223,732)	-	(223,732)
<b>Total Gains (Losses) recognized directly in Equity</b>	<b>14</b>	<b>-</b>	<b>(3,142)</b>	<b>(393,220)</b>	<b>3,142</b>	<b>(393,220)</b>
Net income (loss) for the semester	<b>20</b>	-	-	-	(941,601)	(941,601)
<b>Total income and expenses recognized during the semester</b>		<b>-</b>	<b>(3,142)</b>	<b>(393,220)</b>	<b>(938,459)</b>	<b>(1,334,821)</b>
Result to be transferred to the National Treasury - 1st semester		-	-	-	938,459	938,459
<b>Balance as at June 30, 2009</b>		<b>1,606,019</b>	<b>469,583</b>	<b>(1,316,781)</b>	<b>13,072,428</b>	<b>13,831,249</b>
<b>Balance as at December 31, 2007</b>		<b>1,606,019</b>	<b>479,011</b>	<b>(3,654,732)</b>	<b>2,576,356</b>	<b>1,006,654</b>
Capital increase		-	-	-	10,496,072	10,496,072
Realization of Revaluation Reserves		-	(3,143)	-	3,143	-
Available-for-sale Financial Assets						
- Gains (Losses) recognized in Equity		-	-	(843,129)	-	(843,129)
- Gains (Losses) reclassified to the Income Statement		-	-	(83,215)	-	(83,215)
<b>Total Gains (Losses) recognized directly in Equity</b>	<b>14</b>	<b>-</b>	<b>(3,143)</b>	<b>(926,344)</b>	<b>3,143</b>	<b>(926,344)</b>
Net income (loss) for the semester	<b>20</b>	-	-	-	3,172,740	3,172,740
<b>Total income and expenses recognized during the semester</b>		<b>-</b>	<b>(3,143)</b>	<b>(926,344)</b>	<b>3,175,883</b>	<b>2,246,396</b>
Result to be transferred to the National Treasury		-	-	-	(3,175,883)	(3,175,883)
<b>Balance as at June 30, 2008</b>		<b>1,606,019</b>	<b>475,868</b>	<b>(4,581,076)</b>	<b>13,072,428</b>	<b>10,573,239</b>

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

**CONDENSED INTERIM CASH FLOW STATEMENT**

5

**1st SEMESTER OF 2009****In Thousands of Reais**

	<b>1st sem/2009</b>	<b>1st sem/2008</b>
<b><u>NET CASH FLOW FROM OPERATING ACTIVITIES</u></b>	<b>13,373,213</b>	<b>2,721,879</b>
Interest received	6,438,891	5,760,801
Interest paid	(4,547)	(15,549)
(Purchase) sales of securities	(3,173,183)	(40,080,154)
Purchases (sales) of foreign currencies	4,786,536	25,616,436
(Placement) redemptions of repurchase and reverse repurchase transactions	(8,560,839)	(363,140)
(Placement) redemptions of time deposits	2,038,873	11,264,621
Redemption of deposits received	98,175	(72,144)
(Payments) receipts on behalf of the National Treasury	22,437	1,219,779
(Granting) redemptions of credits receivable	11,617,093	(89,013)
Derivatives	115,628	(500,196)
Other payments / receipts	(5,851)	(19,562)
<b>NET CASH FLOW</b>	<b>13,373,213</b>	<b>2,721,879</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>13,373,213</b>	<b>2,721,879</b>
Cash and cash equivalents at the beginning of the period	5,298,870	4,261,705
Cash and cash equivalents at the end of the period	17,397,722	6,413,743
Effect of exchange rate changes on cash and cash equivalents	(1,274,361)	(569,841)

---

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

## 1 - BANCO CENTRAL DO BRASIL AND ITS ATRIBUTIONS

Banco Central do Brasil (the “Bank”), established on December 31, 1964 with the enactment of the Law 4,595, is an autonomous federal institution that forms part of the National Financial System. The Bank’s mission is to ensure the stability of the Brazilian currency purchasing power and the soundness of the National Financial System. The Bank’s head office is located in Brasília, DF, at Setor Bancário Sul – Quadra 3, Bloco B, and it has offices in nine other states of Brazil.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved these financial statements on August 26, 2009. The financial statements are available on the Bank’s Internet website ([www.bcb.gov.br](http://www.bcb.gov.br)).

## 2 - PRESENTATION

The condensed interim financial statements as at June 30, 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB, in conformity with International Accounting Standard – IAS 34 – Interim Financial Reporting, and therefore, do not include all of the information required in a complete set of annual financial statements. Thus, the condensed interim financial statements should be read in conjunction with the annual financial statements prepared as at December 31, 2008.

## 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 to the comparative financial information.

### 3.1. Determination of profit and loss

The Bank’s profit and loss is determined semi-annually on an accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of net loss (note 20.1).

### 3.2. Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts of a financial asset or a financial liability, over the expected life of the financial instrument, to its net carrying amount. The calculation of the effective interest rate considers all relevant amounts whether paid or received between the parties involved, such as fees and commissions, and also 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 that are not classified as “At Fair Value through Profit or Loss”.

### 3.3. Assets and liabilities denominated in foreign currencies

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

	Jun 30, 2009	Dec 31, 2008
Dollar	1.9512	2.3366
Euro	2.7391	3.2372
SDR	3.0287	3.6166
Gold (fine troy ounces)	1,823.3964	2,032.2579

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

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

### **3.4. Financial Assets and Liabilities**

#### **3.4.1 Recognition**

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

#### **3.4.2 Derecognition**

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

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

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

#### **3.4.3 Offsetting of assets and liabilities**

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

#### **3.4.4 Classification of Financial Instruments**

When financial assets are acquired, they are classified into one of the following categories: Financial assets "At Fair Value through Profit or Loss", "Available-for-sale", "Held-to-maturity" or "Loans and Receivables". After the initial recognition, financial assets are measured in accordance with their 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 recognized in the income statement, in the following situations:

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

##### **b) Available-for-sale**

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



### 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 using the effective interest rate, is recognized in the income statement on an accrual basis;

### 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 and the related interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis;

### 3.4.5 Measurement

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

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

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

<b>Assets in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions - Outsourced administration	At Fair Value through Profit or Loss	Fair Value - Custodian
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Credits Receivable	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	Fair Value - <i>PM fixing</i> - London Stock Exchange
Investment in International Financial Organizations	Available-for-sale	Fair Value - Redemption value in Reais
<b>Assets in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Deposits	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&FBovespa Exchange
Debt Securities Issued by the Federal Government - LTN	Available-for-sale	Fair value - Andima
Debt Securities Issued by the Federal Government - except LTN	Held-to-maturity	Amortized Cost
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivable - Financial Institutions under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair Value - Present value of the guarantees
Credits Receivable - Loans related to Rural Credit	Loans and Receivables	Amortized Cost
<b>Liabilities in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives - Interest and Securities Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Currency Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost
<b>Liabilities in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&FBovespa Exchange
Payables to the Federal Government	Other liabilities	Amortized Cost
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

### **3.4.6 Impairment of financial assets**

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

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

- a) financial difficulties of the issuer or obligor;
- b) the occurrence of default in any payments, whether related to principal or interest;
- c) renegotiations or granting of discounts;
- d) extrajudicial liquidation, bankruptcy or other types of financial reorganizations;
- e) the disappearance of an active market due to financial difficulties of the issuer.

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

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

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

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

If in 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 for 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 associated with the item will flow to the Bank; 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, which is characterized as a contingent liability, no provision is established.

#### **3.6.2 Post-employment benefits**

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

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

The provision recorded in the balance sheet is the present value of the obligations minus the fair value of the assets of the plans. Independent actuaries calculate the value of the obligations annually.

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, which represents an economic benefit available to the Bank due to the fact that there is no longer the possibility of entry of new beneficiaries sponsored by the Bank, which will lead to the extinction of its purpose with the death of the last beneficiary or dependent, with the consequent return of the actuarial surplus to the sponsor.

### **3.7. Tax immunity**

In accordance with the Brazilian Federal Constitution, the Bank is tax immune as regards to its results arising from the exercise of its regular activities, but is, otherwise, 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.

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

## **4 - ACCOUNTING RECLASSIFICATION**

In the fulfillment of its mission the Bank undertakes operations that are interrelated to one another which cannot be assessed separately. When the Bank purchases a foreign currency the market liquidity of the country's local currency is augmented, which requires a posterior series of open market operations so as to adequate the volume of the means of payment to the economy's actual needs.

Hence, notwithstanding the fact that the Bank's primary actions are addressed to the management of the international reserves, the purchase of dollars in the domestic market conduces to a series of other actions, which demands that the Bank undertakes its role of monetary authority. However, the limit of those two roles is not clear. Thus, the Bank's actions as the manager of the international reserves are not restricted to the concept of "foreign currency operations", considering that the operations with the reserves have indissoluble and direct impact on the operations in local currency and its resulting balances.

Consequently, so as to allow users of the financial statements to fully and directly understand the relation among the several items in profit and loss, considering their specific nature, from 2009 onwards, the Bank's Income Statement no longer presents the separation between "Foreign Currency Operations" and "Local Currency Operations". For the purpose of comparison, the Income Statement for the year 2008 was reclassified.

## **5 - THE BANK'S MEASURES AGAINST THE FINANCIAL CRISIS**

With the improvement of the Brazilian economy, the diminishing of the uncertainties and the volatility and the gradual return of the liquidity of the international financial markets, from May 2009 onwards, it was possible for the Bank to reverse the exceptional measures it had adopted during the second semester of 2008. Therefore, the Bank resumed its policy of accumulating international reserves by means of the acquisition of foreign currencies in the domestic spot market.

The principal measures implemented during the first semester of 2009 were:

### **5.1 Foreign currency sale in the spot market**

The sale of foreign currency in the spot market provides liquidity to the domestic market in times of significant shortage of foreign currency, therefore reducing market volatility and allowing economic agents to better predict the market.

From May 2009 onwards, the Bank resumed the acquisition of foreign currency in the domestic spot market, keeping the principles of not influencing the trend of exchange rates, not setting up cap or floor parameters and also not adding volatility to the market.

### **5.2 Commitment under agreement of foreign currency operations in the domestic market**

By means of these operations the Bank provides liquidity of foreign currency to the domestic market by selling foreign currency in the spot market with the agreement to repurchase it in a future date. The exchange rates are set at auctions held by dealers and the repurchase occurs in thirty days (note 7.1). The purpose of these operations is to regulate the market liquidity and to provide short-term lines of credit to the foreign exchange market participants. These operations were settled during the semester.

### **5.3 Foreign currency loans**

Foreign currency loan operations aim to facilitate companies and financial institutions to roll over their foreign debts and also to provide the market with resources to be directed to the financing of foreign trade operations.

In order to facilitate the rollover of foreign debts, these loans are available by request and have a limited term of 360 days being subject to the Libor rate plus an additional spread set by the Bank and require collateralization with foreign currency.

So as to provide resources the loans are offered in an auction modality and also maintain the 360-day term. As for collaterals, amongst others, Advances on Export Contracts (ACC) and Advances on Promissory Notes of Exports Delivered (ACE) are especially accepted. During the semester anticipated liquidations in relevant volumes occurred.

### **5.4 Currency swaps with the Federal Reserve**

Agreement in which the Federal Reserve (Fed) commits to provide a US\$30 billion-foreign credit line to the Bank, because of the shortage of foreign financing. This transaction is interest-free and independent on any covenants related to the country's economic policies. The resources are available to the Bank until February 1, 2010.

### **5.5 Liquidity of the National Financial System**

In order to increase the liquidity of the National Financial System, the Bank authorized a new modality of term deposit, with terms varying from 6 to 60 months. These deposits have a special guarantee, limited to R\$ 20 million per financial institution per investor, conceded by a private fund named Fundo Garantidor de Créditos (FGC).

## 6 - CASH AND CASH EQUIVALENTS AND TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

The variation in this item is a result of the existence, in June 30, 2009, of resources invested in short-term deposits so as to counterbalance items in the course of collection (Note 12).

## 7 - FINANCIAL ASSETS PURCHASED UNDER RESELL AGREEMENTS (REVERSE REPO) / SOLD UNDER REPURCHASE AGREEMENTS (REPO)

### 7.1. In Foreign Currencies

	Jun 30, 2009	Dec 31, 2008
<b>Reverse Repurchase Agreement (Reverse Repo)</b>	<b>11,333,073</b>	<b>25,239,270</b>
<b>Foreign Market</b>	<b>8,211,153</b>	<b>4,519,470</b>
Securities	7,927,117	4,279,478
Currencies	284,036	239,992
<b>Collateral</b>	<b>8,068,084</b>	<b>4,392,162</b>
<b>Domestic Market - Term Repurchase</b>	<b>3,121,920</b>	<b>20,719,800</b>
Currencies	3,121,920	20,719,800
<b>Repurchase Agreement (Repo)</b>	<b>8,210,207</b>	<b>14,161,569</b>
<b>Foreign Market</b>	<b>8,210,207</b>	<b>14,161,569</b>
Securities	7,926,926	13,919,806
Currencies	283,281	241,763
<b>Collateral</b>	<b>7,904,918</b>	<b>13,731,961</b>

The variation in the period occurred due to the increase of the financial market stability (Note 5), determining a minor need for the Bank's performance both in the control of foreign currency liquidity and in the regulation of its own foreign currency cash flow. Thus, the following events should be highlighted: the maturity of the majority of currency operations in the domestic market, that were done in order to provide liquidity to the market, and the gradual resumption of repo and reverse repo operations.

### 7.2. In Local Currency

	Jun 30, 2009	Dec 31, 2008
<b>Reverse Repurchase Agreement (Reverse Repo)</b>	<b>22,106</b>	<b>44,298</b>
Securities	22,106	44,298
<b>Collateral</b>	<b>22,145</b>	<b>44,443</b>
<b>Repurchase Agreement (Repo)</b>	<b>414,730,870</b>	<b>345,735,757</b>
Securities	411,134,033	325,199,593
Foreign Currencies	3,596,837	20,536,164
<b>Collateral</b>	<b>418,179,810</b>	<b>331,267,409</b>
Transactions of collateral allowed	58,369,754	45,646,534
Transactions of collateral not allowed	359,810,056	285,620,875

The variation in the period occurred on account of the Bank's performance in the control of market liquidity due to: (i) the net redemption of federal government debt securities held by the market, including the payment of interest; (ii) the carrying out of foreign currency auction-mode purchases, from February 2009 onwards; and (iii) the reduction of the Brazilian Federal Government surplus.

## 8 - DERIVATIVES

The variation in the balance of derivatives in local currency is due to a trend to the liquidation of positions in foreign exchange derivatives, during the first semester of 2009, as a result of the non-renewal of matured contracts and of the assumption of inverse positions.

## 9 - DEBT SECURITIES

### 9.1. Securities denominated in foreign currencies

	Jun 30, 2009	Dec 31, 2008
<b>Uncommitted Securities</b>	<b>366,750,200</b>	<b>439,455,013</b>
1 month	13,856,040	265,982
1 - 6 months	60,254,749	1,416,784
6 - 12 months	14,478,754	7,821,142
1 - 5 years	271,442,724	354,364,820
more than 5 years	6,717,933	75,586,285
<b>Securities linked to Repurchase Agreements</b>	<b>7,778,691</b>	<b>13,718,301</b>
1 - 5 years	7,778,691	10,016,603
more than 5 years	-	3,701,698
<b>Securities granted as collateral</b>	<b>126,227</b>	<b>13,659</b>
6 - 12 months	126,227	13,659
<b>Securities sold – to be delivered</b>	<b>846,846</b>	<b>-</b>
6 - 12 months	185,028	-
1 - 5 years	240,062	-
more than 5 years	421,756	-
<b>Securities bought – to be received</b>	<b>9,901,701</b>	<b>-</b>
1 month	975,476	-
1 - 6 months	3,900,437	-
6 - 12 months	3,895,495	-
1 - 5 years	983,163	-
more than 5 years	147,130	-
<b>Total</b>	<b>385,403,665</b>	<b>453,186,973</b>

These securities are fixed rate debt securities, issued by national treasuries, supranational or multilateral organisms or governmental agencies, acquired by the Bank in accordance to its investment policy. The portfolio is part of the international reserves and its main objectives are (i) to diversify investments and risks; (ii) to enhance profitability; and (iii) to maintain different levels of liquidity.

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

	Jun 30, 2009	Dec 31, 2008
Cost	379,407,734	426,254,972
Mark-to-market Adjustment	5,995,931	26,932,001
<b>Carrying Amount</b>	<b>385,403,665</b>	<b>453,186,973</b>

The variation in the balance of foreign currency securities portfolio is basically due to the appreciation of the Brazilian Real against the currencies that constitute the foreign reserves in the period (Note 3.3).

## 9.2. Securities denominated in local currencies

Jun 30, 2009

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
<b>Uncommitted Securities</b>	<b>3,143,203</b>	<b>10,462</b>	<b>12,798,135</b>	<b>56,908,366</b>	<b>14,479,191</b>	<b>87,339,357</b>
LTN	3,143,203	5,906	4,656,609	4,629,703	-	12,435,421
LFT	-	4,556	-	5,006,761	1,658,056	6,669,373
NTN-B	-	-	-	8,982,142	5,188,783	14,170,925
NTN-F	-	-	8,141,526	38,289,760	7,632,352	54,063,638
<b>Securities linked to Repurchase Agreements</b>	<b>18,341,847</b>	<b>31,876,203</b>	<b>38,817,815</b>	<b>217,186,603</b>	<b>108,844,380</b>	<b>415,066,848</b>
LTN	18,341,847	12,018,423	38,108,274	30,558,058	-	99,026,602
LFT	-	11,778,300	-	139,635,400	56,503,055	207,916,755
NTN-B	-	8,079,480	-	37,070,009	48,238,687	93,388,176
NTN-F	-	-	709,541	9,923,136	4,102,638	14,735,315
<b>Securities granted as collateral</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440,652</b>	<b>-</b>	<b>440,652</b>
LFT	-	-	-	440,652	-	440,652
<b>Untradable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,361</b>	<b>180</b>	<b>8,541</b>
NTN-P	-	-	-	8,361	180	8,541
<b>Total</b>	<b>21,485,050</b>	<b>31,886,665</b>	<b>51,615,950</b>	<b>274,543,982</b>	<b>123,323,751</b>	<b>502,855,398</b>

Dec 31, 2008

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
<b>Uncommitted Securities</b>	<b>33,216,244</b>	<b>4,489,021</b>	<b>5,382,148</b>	<b>73,684,807</b>	<b>40,205,857</b>	<b>156,978,077</b>
LTN	33,216,244	4,489,021	594,320	10,993,535	-	49,293,120
LFT	-	-	4,787,828	7,637,930	3,759,395	16,185,153
NTN-B	-	-	-	15,576,167	19,312,451	34,888,618
NTN-F	-	-	-	39,477,175	17,134,011	56,611,186
<b>Securities linked to Repurchase Agreements</b>	<b>-</b>	<b>18,388,891</b>	<b>45,196,509</b>	<b>177,209,194</b>	<b>92,651,479</b>	<b>333,446,073</b>
LTN	-	7,150,000	30,950,380	44,148,639	-	82,249,019
LFT	-	3,156,825	6,395,037	96,328,984	58,904,133	164,784,979
NTN-B	-	8,082,066	7,851,092	29,117,254	31,065,078	76,115,490
NTN-F	-	-	-	7,614,317	2,682,268	10,296,585
<b>Securities granted as collateral</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,070,697</b>	<b>2,237,962</b>	<b>6,308,659</b>
LFT	-	-	-	4,070,697	2,237,962	6,308,659
<b>Untradable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,084</b>	<b>173</b>	<b>8,257</b>
NTN-P	-	-	-	8,084	173	8,257
<b>Total</b>	<b>33,216,244</b>	<b>22,877,912</b>	<b>50,578,657</b>	<b>254,972,782</b>	<b>135,095,471</b>	<b>496,741,066</b>

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

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

	Jun 30, 2009			Dec 31, 2008		
	Cost	Mark-to-market Adjustment	Carrying Amount	Cost	Mark-to-market Adjustment	Carrying Amount
<b>Available-for-sale</b>	<b>109,672,895</b>	<b>1,789,127</b>	<b>111,462,022</b>	<b>131,231,926</b>	<b>310,213</b>	<b>131,542,139</b>
LTN	109,672,895	1,789,127	111,462,022	131,231,926	310,213	131,542,139
<b>Held-to-maturity</b>	<b>391,393,376</b>	<b>-</b>	<b>391,393,376</b>	<b>365,198,927</b>	<b>-</b>	<b>365,198,927</b>
LFT	215,026,780	-	215,026,780	187,278,790	-	187,278,790
NTN-B	107,559,101	-	107,559,101	111,004,108	-	111,004,108
NTN-F	68,798,954	-	68,798,954	66,907,771	-	66,907,771
NTN-P	8,541	-	8,541	8,258	-	8,258
<b>Total</b>	<b>501,066,271</b>	<b>1,789,127</b>	<b>502,855,398</b>	<b>496,430,853</b>	<b>310,213</b>	<b>496,741,066</b>

## 10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

	Assets	
	Jun 30, 2009	Dec 31, 2008
Result to be covered by the National Treasury	938,459	-
Foreign exchange equalization	93,787,316	-
Other	81	14
<b>Total</b>	<b>94,725,856</b>	<b>14</b>
	Liabilities	
	Jun 30, 2009	Dec 31, 2008
National Treasury Operating Account	396,975,148	255,216,723
Result to be transferred to the National Treasury	-	10,175,796
Foreign exchange equalization	-	171,416,012
Other	773,955	617,853
<b>Total</b>	<b>397,749,103</b>	<b>437,426,384</b>

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in Note 21.1.



## 11 - CREDITS RECEIVABLE

Jun 30, 2009

	Cost	Mark-to-market Adjustment	Carrying Amount
<b>At Fair Value through profit or loss - Designated by management</b>	<b>56,886,083</b>	<b>(30,274,969)</b>	<b>26,611,114</b>
Banco Nacional - Under extrajudicial liquidation	27,727,708	(13,413,100)	14,314,608
Banco Econômico - Under extrajudicial liquidation	23,764,428	(13,248,033)	10,516,395
Banco Mercantil - Under extrajudicial liquidation	1,991,652	(211,541)	1,780,111
Banco Banorte - Under extrajudicial liquidation	710,464	(710,464)	-
Banco Bamerindus - Under extrajudicial liquidation	2,691,831	(2,691,831)	-
<b>Loans and Receivables</b>	<b>3,023,611</b>	<b>-</b>	<b>3,023,611</b>
Loans related to rural credit	2,998,885	-	2,998,885
Other	24,726	-	24,726
<b>Total</b>	<b>59,909,694</b>	<b>(30,274,969)</b>	<b>29,634,725</b>

Dec 31, 2008

	Cost	Mark-to-market Adjustment	Carrying Amount
<b>At Fair Value through profit or loss - Designated by management</b>	<b>55,328,687</b>	<b>(28,445,515)</b>	<b>26,883,172</b>
Banco Nacional - Under extrajudicial liquidation	25,513,183	(11,935,140)	13,578,043
Banco Econômico - Under extrajudicial liquidation	24,122,735	(12,722,419)	11,400,316
Banco Mercantil - Under extrajudicial liquidation	2,114,001	(209,188)	1,904,813
Banco Banorte - Under extrajudicial liquidation	717,903	(717,903)	-
Banco Bamerindus - Under extrajudicial liquidation	2,860,865	(2,860,865)	-
<b>Loans and Receivables</b>	<b>3,027,062</b>	<b>-</b>	<b>3,027,062</b>
Loans related to rural credit	2,989,339	-	2,989,339
Other	37,723	-	37,723
<b>Total</b>	<b>58,355,749</b>	<b>(28,445,515)</b>	<b>29,910,234</b>

### a) Characteristics and credit conditions

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

These receivables are adjusted based on the sole paragraph of Article 124 of the Bankruptcy Law (Law 11,101 of 2005), 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 contractual rates derives from the collateral on the original credits.

The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6,024/74) and in the Bankruptcy Law. This legislation determines, among others:

- the 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 priority of lien established by law, as follows: expenses essential to the liquidation, wages claims, secured creditors, tax liabilities and unsecured creditors;

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

- the procedures necessary to realize the assets of the institution, for example, 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. It is important to note that the majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees, without prejudice to any legal and administrative actions so as to collect the residual credit.

#### **b) Classification and measurement procedure**

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

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

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

The fair value of these credits is 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).

## **12 - ITEMS IN THE COURSE OF COLLECTION**

These items refer to operations in foreign currency, especially purchases in the spot market of debt securities denominated in foreign currencies that are pending settlement as at the reporting date, whose settlement will occur in up to two or three days (Note 9.1).

## **13 - CURRENCY IN CIRCULATION**

The change in the balance of Currency in Circulation, during the first semester of 2009, is associated with a behavior usually verified in the demand for money in this period, which is the reversion of a typical end-of-year seasonal movement, in which occurs an increase in the demand for money due to the payment of the thirteenth salary and to the Holidays celebration.

#### 14 - GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY

	<u>1st sem/2009</u>	<u>2st sem/2008</u>
<b>Debt Securities Issued by the Federal Government</b>		
Opening balance	2,938,952	692,029
Mark-to-market adjustments	1,478,915	2,583,320
Write-off	(223,732)	(336,397)
Closing balance	4,194,135	2,938,952
<b>Gold</b>		
Opening balance	1,422,579	1,484,203
Mark-to-market adjustments	151,146	(60,653)
Realization	-	(971)
Closing balance	1,573,725	1,422,579
<b>Investments in International Financial Organizations</b>		
Opening balance	(2,843,208)	(5,955,320)
Mark-to-market adjustments	(1,799,549)	3,112,112
Closing balance	(4,642,757)	(2,843,208)
<b>Actuarial gains (losses)</b>		
Opening balance	(2,441,884)	(801,988)
Actuarial gains (losses) in period	-	(1,639,896)
Closing balance	(2,441,884)	(2,441,884)
<b>Total</b>	<b>(1,316,781)</b>	<b>(923,561)</b>

The variation observed in the balance of Gains (Losses) Recognized Directly in Equity occurred as a result of the negative fair value adjustments of financial assets classified as “Available-for-sale”, in the first semester of 2009. On the one hand, the investments in International Financial Organizations presented a negative adjustment due to the appreciation of the Brazilian Real in relation to the SDR. On the other hand, debt securities issued by the Federal Government experienced a positive adjustment, of lesser magnitude, by virtue of the decline in rates practiced by the secondary market.

## 15 - NET INTEREST INCOME

	1st sem/2009	1st sem/2008
<b>Interest income</b>	<b>27,237,374</b>	<b>23,555,849</b>
<b>Foreign Currency Operations</b>	<b>288,576</b>	<b>405,447</b>
Cash and Cash Equivalents	8,660	70,966
Deposits	801	37,813
Commitment under agreements	5,413	289,200
Loans	271,584	-
Other	2,118	7,468
<b>Local Currency Operations</b>	<b>26,948,798</b>	<b>23,150,402</b>
Debt Securities	26,436,420	21,612,091
Other	512,378	1,538,311
<b>Interest expenses</b>	<b>(44,324,561)</b>	<b>(33,383,044)</b>
<b>Foreign Currency Operations</b>	<b>(465,339)</b>	<b>(270,992)</b>
Commitment under agreements	(461,095)	(253,359)
Loans	(3,364)	(15,215)
Other	(880)	(2,418)
<b>Local Currency Operations</b>	<b>(43,859,222)</b>	<b>(33,112,052)</b>
Deposits Received from Financial Institutions	(1,850,507)	(4,675,865)
Commitment under agreements	(22,027,049)	(13,141,497)
Federal Government	(19,120,047)	(14,565,158)
Other	(861,619)	(729,532)
<b>Net interest income</b>	<b>(17,087,187)</b>	<b>(9,827,195)</b>

The Net Interest Income comprises interest on financial instruments classified into one of the following categories: "Held-to-maturity", "Available-for-sale", "Loans and Receivables" and "Other Liabilities".

The variation observed in the Net Interest Income, as compared to the one presented in the first semester of 2008, occurred on account of the volume of the operations that were undertaken by the Bank so as to manage market liquidity (Note 7.2) and also as a result of the increase in the balance in the National Treasury Operating Account (Notes 10 and 21.1)

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

	1st sem/2009	1st sem/2008
<b>Foreign Currency Operations</b>	<b>(75,915,266)</b>	<b>(26,614,287)</b>
Debt securities	(75,497,306)	(25,851,249)
Other	(417,960)	(763,038)
<b>Local Currency Operations</b>	<b>96,084,953</b>	<b>39,580,163</b>
Derivatives	96,084,949	39,580,153
Other	4	10
<b>Total</b>	<b>20,169,687</b>	<b>12,965,876</b>

The gains and losses on financial assets classified as “At Fair Value Through Profit or Loss” – held for trading – are comprised of the interests, mark-to-market adjustments and exchange rate variations of these financial instruments.

As for the significant variations observed in the period, it should be noted that:

a) Securities denominated in foreign currencies – the variation is mainly attributed to the effect of the strong appreciation of the Brazilian Real against the foreign currencies in which these assets are denominated, during the first semester of 2009 (Note 3.3).

b) Derivatives – the variation substantially refers to the positive result obtained in the foreign exchange equalization operation (Note 20.1).

## 17 - GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS “AT FAIR VALUE THROUGH PROFIT OR LOSS” – DESIGNATED BY MANAGEMENT

The gains (losses) on financial assets classified as “At Fair Value Through Profit or Loss” – designated by management are comprised of the interests and mark-to-market adjustments of credits receivable from financial institutions under extrajudicial liquidation (Note 11).

## 18 - GAINS (LOSSES) WITH FOREIGN CURRENCIES

	1st sem/2009	1st sem/2008
<b>Gains (losses) from foreign exchange</b>		
Time Deposits	(79,356)	(100,123)
Cash and Cash Equivalents	(1,274,361)	(569,842)
Liabilities to International Financial Organizations	1,816,221	609,587
Credits Receivable	(2,750,328)	(4,505)
Commitment under agreements	(1,284,188)	(2,945)
Other	261,048	128,980
<b>Total</b>	<b>(3,310,964)</b>	<b>61,152</b>

The gains (losses) with foreign currencies are a result of the exchange rate variation on financial instruments carried at amortized cost.

The variation observed in the period is attributed to the effect of the appreciation of the Brazilian Real against the main currencies in which the Bank's assets and liabilities are denominated (Note 3.3).

## 19 - OTHER INCOME AND EXPENSES

It refers, mainly, to administrative and maintenance income and expenses of the Bank.

## 20 - NET INCOME

### 20.1 - Profit and Loss of the period

The net loss of the period was R\$941,601 (a net income of R\$3,172,740 in the first semester of 2008) and it results, mainly, from the net interest income of operations in local currency and from mark-to-market adjustments of credits receivable from financial institutions under extrajudicial liquidation. It should be noted that the result obtained with the international reserves and part of the cost of funding, equivalent to the reserves, were neutralized through the foreign exchange equalization operation, as shown in the table below:

	1st sem/2009	1st sem/2008
<b>International Reserves Operations and swaps</b>	-	-
Profitability of the International Reserves	(79,393,653)	(26,569,863)
Foreign Exchange Derivatives	2,297,633	(5,218,103)
Foreign Exchange Equalization of Reserves and Derivatives	77,096,020	31,787,966
<b>Others Foreign Currencies Operations</b>	<b>(9,339)</b>	<b>151,183</b>
<b>Local Currency Operations</b>	<b>(491,022)</b>	<b>3,354,191</b>
Interest	(16,910,424)	(9,961,651)
Mark-to-Market - Financial Institutions under Extra-Judicial Liquidation	(271,894)	305,552
Foreign Exchange Equalization of Reserves and Derivatives (Cost of Funding)	16,691,296	13,010,290
<b>Other income (expenses)</b>	<b>(441,240)</b>	<b>(332,634)</b>
<b>Net income (loss)</b>	<b>(941,601)</b>	<b>3,172,740</b>

According to the legislation in effect, the result of the first semester of 2009 will be covered by the National Treasury not later than the tenth business day subsequent to the approval (Note1) of these financial statements.

## 20.2 - Comprehensive Income

The purpose of the Statement of Comprehensive Income is to present the economic income of the entity, broadening the level of disclosure in relation to the results beyond the concept of accounting income, which is normally disclosed through the Statement of Income.

In order to give more transparency to the results, the gains and losses recognized directly in Equity are disclosed in the Statement of Comprehensive Income. The main items that influenced the comprehensive income are shown in the following table:

	1st sem/2009	1st sem/2008
<b>Gains (Losses) recognized in equity</b>	<b>(169,488)</b>	<b>(843,129)</b>
Debt Securities	1,478,915	(424,883)
Gold	151,146	179,946
Investment in International Financial Organizations	(1,799,549)	(598,192)
<b>Gains (Losses) Transferred to the Result</b>	<b>(223,732)</b>	<b>(83,215)</b>
Debt Securities	(223,732)	(83,215)
<b>Total</b>	<b>(393,220)</b>	<b>(926,344)</b>

## 21 - RELATED PARTS

### 21.1 - Federal Government

The following table shows the main operations during the semester between the Bank and the Federal Government:

	1st sem/2009	2st sem/2008
<b>National Treasury Operating Account</b>		
Opening balance	255,216,726	289,114,431
(+) remuneration	15,198,924	13,658,577
(+/-) deposits/redemptions	(58,793,403)	(50,805,407)
(+) positive result transferred	185,352,906	3,249,125
Closing balance	396,975,153	255,216,726
<b>Federal Government Debt Securities</b>		
Opening balance	496,741,066	423,470,964
(+/-) net issue/redemption	(21,577,271)	44,621,219
(+) remuneration	26,436,420	26,065,569
(+/-) mark-to-market adjustments	1,255,183	2,583,314
Closing balance	502,855,398	496,741,066
<b>Result to be covered by the National Treasury</b>		
Opening balance	-	-
(+) negative result to be covered	938,459	-
Closing balance	938,459	-
<b>Result to be transferred to the National Treasury</b>		
Opening balance	(10,175,795)	(3,175,883)
(+) positive result to be transferred	-	(10,175,795)
(+) remuneration	(210,760)	(73,242)
(-) transfers	10,386,555	3,249,125
Closing balance	-	(10,175,795)
<b>Foreign Exchange Equalization</b>		
Opening balance	-	-
(+) adjustments	93,787,316	(171,416,012)
(+/-) transfers to credits payable (receivable)	(93,787,316)	171,416,012
Closing balance	-	-
<b>Credit receivable due to the result of foreign exchange equalization</b>		
Opening balance	-	44,798,256
(+) foreign exchange equalization result	93,787,316	-
(+) remuneration	-	2,775,861
(-) amounts received	-	(47,574,117)
Closing balance	93,787,316	-
<b>Credit payable due to the result of foreign exchange equalization</b>		
Opening balance	(171,416,012)	-
(+) foreign exchange equalization result	-	(171,416,012)
(+) remuneration	(3,550,337)	-
(-) payments	174,966,349	-
Closing balance	-	(171,416,012)
<b>Transfer under Budget Law</b>	531,372	659,288

## 21.2 - Centrus

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

	1st sem/2009	2st sem/2008
<b>Resources managed by Centrus</b>		
Opening balance	942,364	1,672,068
(+/-) actuarial gains/losses	-	(473,920)
(-) amounts received	(309,851)	(377,267)
(+) interest	59,006	121,483
(+) restitution of contributions	136,600	-
Closing balance	828,119	942,364
<b>Actuarial Surplus</b>		
Opening balance	2,483,386	3,402,245
(+/-) actuarial gains/losses	-	(1,215,477)
(-) restitution of contributions	-	(5,340)
(+) interest	233,399	301,958
Closing balance	2,716,785	2,483,386
<b>Payment of management fee</b>	-	5,231

The restitution of contributions to Centrus occurred in the period was due to the fact that the Bank had requested to Centrus the withdrawal of resources to face pension payments in an amount which was in excess of what was actually needed.

## 22 - EVENT AFTER THE REPORTING PERIOD

With the enactment of Law 11,803, of November 5, 2008, the Government is authorized to issue securities directly to the Bank so that the entity could maintain its portfolio of federal government debt securities in adequate levels for the implementation of its monetary policy.

The Finance Ministry published ruling on the matter determining that the National Treasury should issue securities in favor of the Bank any time the institution's portfolio of free securities reaches an amount inferior to R\$20,000,000. The issuance should occur up to ten days of the event that triggers the necessity. The quantity should be, at least, enough to recompose the aforementioned amount, noting that each issuance should not be less than R\$10,000,000.

On July 3, 2009, the National Treasury issued securities under the support of Law 11,803, amounting to R\$11,603,023. The issuance involved LTN, LFT and NTN-B securities. The LTN securities were classified in the category "Available-for-sale" and the others in the category "Held-to-maturity".

## 23 - FISCAL RESPONSABILITY LAW – MANDATORY INFORMATION

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

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

This provision was partially amended by the Fiscal Responsibility Law:

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

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



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

Therefore:

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

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

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

The Bank experienced a surplus of R\$696,829 in the first quarter, and a deficit of R\$1,638,430 in the second quarter, totaling a negative result of R\$941,601 in the first semester of the year, which must be covered by the National Treasury not later than the tenth business day of the fiscal year subsequent to the year of 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 (among which the Economic Subjects Commission, the Finances and Taxation Commission, and the Public Budget Commission), 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\$5,930,749 in the first quarter of 2009 and to R\$9,428,164 in the second quarter of 2009 (R\$15,358,913 in the semester).

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

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

On June 30, 2009, the debt securities represented 93.8% of total international reserves, as disclosed in the Press Note on the External Sector (Table 49), available on the Bank's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

	International Reserves	Cost of funding	Cost of Maintaining International Reserves
	Average Balance (R\$ '000)	Profitability (%)	(%) (R\$ '000)
1st quarter/2009	458,669,464	(1.29)	(2.18) (3.47) (15,913,077)
2nd quarter/2009	417,481,685	(17.60)	(1.60) (19.20) (80,171,872)
<b>Total in the semester</b>			<b>(96,084,949)</b>

The international reserves had negative returns of 1.29% in the first quarter, already considering the appreciation of the Brazilian Real in relation to the main currencies that compounded the reserves in the period. Excluding the funding cost of the Bank, the net result of the international reserves was negative by 3.47% (R\$15,913,077). In the second quarter the international reserves had negative returns of 17.60% amounting to a negative 19.20% (R\$80,171,872) if the cost of funding is considered.

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

The profitability of the securities portfolio, which is composed exclusively by Brazilian sovereign debt securities, was R\$13,691,288, in the first quarter, and R\$12,745,132, in the second quarter, amounting to R\$26,436,420 in the first semester of 2009.

**Governor of the Banco Central do Brasil**

Henrique de Campos Meirelles

**Deputy Governors**

Alexandre Antônio Tombini

Alvir Alberto Hoffmann

Anthero de Moraes Meirelles

Antônio Gustavo Matos do Vale

Maria Celina Berardinelli Arraes

Mário Gomes Torós

Mário Magalhães Carvalho Mesquita

**Head of the Accounting and Financial Department**

Jefferson Moreira – Accountant – CRC-DF 7.333

**KPMG Auditores Independentes**

SBS - Qd. 02 - Bl. Q - Lote 03 - Salas 708 a 711

Edifício João Carlos Saad

70070-120 Brasília, DF - Brasil

Caixa Postal 8723

70312-970 Brasília, DF - Brasil

Central Tel

Fax

Internet

55 (61) 2104-2400

55 (61) 2104-2406

www.kpmg.com.br

## 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, 2009, and the related condensed interim statements of income, comprehensive income, changes in equity and cash flow for the six-month period then ended. The Bank's management is responsible for preparing and presenting these condensed interim financial statements in accordance with 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 equivalent auditing standards applicable in Brazil. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Therefore, a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and Auditing Standards Applicable in Brazil and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at June 30, 2009, referred to in paragraph 1, is not prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting*.
4. Our review was conducted for the purpose of expressing a conclusion on the Bank's condensed interim financial statements taken as a whole. The supplementary information included in Note 23 are not required information by International Financial Reporting Standards (IFRS), but is being presented for compliance with the Fiscal Responsibility Law. 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.



5. Our report on condensed interim financial statements for the six-month period ended June 30, 2008, dated August 28, 2008, contained qualifications with respect to a foreign exchange equalization transaction, whose counterpart was the União. The operation was grounded on Provisional Measure 435/08. The uncertainty at the time with respect to the possible effects in case of a potential non-approval of such legal provision was eliminated by conversion of the Provisional Measure in Law 11.803 issued in November 5, 2008.

August 26, 2009

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

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