



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

# **Condensed Interim Financial Statements**

June 30, 2012

## CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2012

In thousands of Reals

(A free translation of the original in Portuguese)

ASSETS	Notes	Jun 30, 2012	Dec 31, 2011	LIABILITIES	Notes	Jun 30, 2012	Dec 31, 2011
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>772,284,672</u></b>	<b><u>675,500,413</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>25,768,591</u></b>	<b><u>23,913,425</u></b>
Cash and Cash Equivalents	4	20,183,125	12,808,011	Items in the Course of Collection	13	7,075,676	828,852
Time Deposits Placed with Financial Institutions	5	36,470,151	24,473,813	Deposits Received from Financial Institutions	14	1,437	1,333
Funds under External Management	6	12,301,560	455,689	Financial Assets Sold Under Repurchase Agreement	7	719,778	5,892,661
Financial Assets Purchased under Resell Agreement	7	722,422	5,858,935	Derivatives	8	4,417	2,347
Derivatives	8	2,339	350	Accounts Payable		8,956,964	8,324,770
Securities	9	683,261,569	614,321,929	Deposits Received from International Financial Organizations		9,003,254	8,863,307
Receivables	10	2,741,063	2,169,037	Other		7,065	155
Gold		3,490,500	3,102,339				
Investments in International Financial Organizations	11	13,111,943	12,310,310				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>926,294,477</u></b>	<b><u>907,911,058</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>1,495,445,107</u></b>	<b><u>1,377,897,860</u></b>
Cash and Cash Equivalents		116	569	Items in the Course of Collection	13	15,496	19,285
Deposits		625,548	623,908	Deposits Received from Financial Institutions	14	374,176,701	424,925,295
Financial Assets Purchased under Resell Agreement	7	15,399,999	9,299,998	Financial Assets Sold Under Repurchase Agreement	7	459,445,194	351,178,116
Derivatives	8	318,477	-	Derivatives	8	-	11,336
Federal Government Securities	9	865,962,536	754,543,113	Payables to the Federal Government	12	637,264,633	578,190,914
Receivables from the Federal Government	12	7,629	101,274,835	Accounts Payable		1,072,761	959,748
Receivables	10	41,709,953	40,157,590	Deposits Received from International Financial Organizations		2,967	2,045
Property and Equipment		787,339	785,223	Provisions		23,441,395	22,577,874
Other		1,482,880	1,225,822	Other		25,960	33,247
				<b>CURRENCY IN CIRCULATION</b>	15	<b><u>151,219,217</u></b>	<b><u>162,769,670</u></b>
				<b>NET EQUITY</b>		<b><u>26,146,234</u></b>	<b><u>18,830,516</u></b>
				Capital		24,675,451	24,675,451
				Income Reserve		1,606,019	1,606,019
				Revaluation Reserve		450,727	453,869
				Gains (Losses) Recognized Directly in Equity	16	(585,963)	(7,904,823)
<b>TOTAL</b>		<b><u>1,698,579,149</u></b>	<b><u>1,583,411,471</u></b>	<b>TOTAL</b>		<b><u>1,698,579,149</u></b>	<b><u>1,583,411,471</u></b>

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

**CONDENSED INTERIM INCOME STATEMENT - 1st SEMESTER OF 2011****2****In thousands of Reais**

(A free translation of the original in Portuguese)

	<b>Notes</b>	<b>1st sem/2012</b>	<b>1st sem/2011</b>
Interest income		46,494,709	46,905,123
Interest expenses		<u>(65,098,805)</u>	<u>(60,665,476)</u>
Net interest result	<b>17</b>	(18,604,096)	(13,760,353)
Gains (losses) on financial instruments classified as At fair value through profit and loss, held for trading	<b>18</b>	25,442,092	27,024,191
Gains (losses) on financial instruments classified as At fair value through profit and loss, by designation of the management	<b>19</b>	3,142,663	2,137,591
Gains (losses) from foreign exchange	<b>20</b>	2,428,533	(2,982,126)
Other income		1,298,721	1,257,906
Other expenses		(1,389,667)	(1,446,503)
<b>NET INCOME (LOSS)</b>	<b>21</b>	<u><b>12,318,246</b></u>	<u><b>12,230,706</b></u>

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - 1st SEMESTER OF 2012****3****In thousands of Reais****(A free translation of the original in Portuguese)**

	<b>Notes</b>	<b>1st sem/2012</b>	<b>1st sem/2011</b>
<b>INCOME STATEMENT FOR THE SEMESTER</b>	<b>21.1</b>	<b>12,318,246</b>	<b>12,230,706</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>16</b>	<b>7,318,860</b>	<b>(307,942)</b>
<b>Items which will not be reclassified to results</b>		<b>801,633</b>	<b>(367,616)</b>
Investments in International Financial Organizations		801,633	(367,616)
<b>Items which may be reclassified to results</b>		<b>6,517,227</b>	<b>59,674</b>
Federal Government Securities		6,379,179	(115,655)
Gold		138,048	175,329
<b>COMPREHENSIVE INCOME FOR THE SEMESTER</b>	<b>21.2</b>	<b>19,637,106</b>	<b>11,922,764</b>

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2012

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In thousands of Reais

(A free translation of the original in Portuguese)

	Note	CAPITAL	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	NET EQUITY
<b>Balance as at December 31, 2011</b>		<b>24,675,451</b>	<b>1,606,019</b>	<b>453,869</b>	<b>(7,904,823)</b>	<b>18,830,516</b>
Realization of revaluation reserves		3,142	-	(3,142)	-	-
Gains (Losses) recognized in Equity	16	-	-	-	7,318,860	7,318,860
Net income (loss) for the 1st semester of 2012	21.1	12,318,246	-	-	-	12,318,246
Result to be transferred to the National Treasury	22.1	(12,321,388)	-	-	-	(12,321,388)
<b>Balance as at June 30, 2012</b>		<b>24,675,451</b>	<b>1,606,019</b>	<b>450,727</b>	<b>(585,963)</b>	<b>26,146,234</b>
<b>Balance as at December 31, 2010</b>		<b>24,675,451</b>	<b>1,606,019</b>	<b>460,155</b>	<b>(10,782,988)</b>	<b>15,958,637</b>
Realization of revaluation reserves		3,143	-	(3,143)	-	-
Gains (Losses) recognized in Equity		-	-	-	(307,942)	(307,942)
Net income (loss) for the 1st semester of 2011		12,230,706	-	-	-	12,230,706
Result to be transferred to the National Treasury		(12,233,849)	-	-	-	(12,233,849)
<b>Balance as at June 30, 2011</b>		<b>24,675,451</b>	<b>1,606,019</b>	<b>457,012</b>	<b>(11,090,930)</b>	<b>15,647,552</b>

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

**CONDENSED INTERIM FOREIGN CURRENCY CASH FLOW STATEMENT - 1st SEMESTER OF 2012****5****In thousands of Reais****(A free translation of the original in Portuguese)**

	<b>1st sem/2012</b>	<b>1st sem/2011</b>
<b><u>Net Cash Flow from Operating Activities</u></b>	<b>5,483,871</b>	<b>7,377,935</b>
Interest received	6,182,949	4,486,334
Interest paid	(6,327)	(15,198)
(Purchase) sale of securities	(17,141,167)	(65,309,758)
Purchase (sale) of foreign currencies	32,279,940	61,995,130
(Placement) redemptions of repurchase and reverse repurchase transactions	282,621	274,705
(Placement) redemptions of time deposits	(7,985,765)	5,062,834
(Placement) redemption of funds under external management	(10,424,448)	(375,683)
Formation (redemption) of passive deposits	1,265,586	362,853
(Payments) receipts on behalf of the National Treasury	8,179	33,700
(Granting) receipt of receivables	1,005,243	819,593
Receipts (payments) resulting from operations with derivatives	(5,269)	106,899
Other (payments) receipts	22,329	(63,474)
<b>Net Cash Flow</b>	<b>5,483,871</b>	<b>7,377,935</b>
<b>Change in Cash and Cash Equivalents</b>	<b>5,483,871</b>	<b>7,377,935</b>
Cash and cash equivalents at the beginning of the semester	12,808,011	13,865,931
Cash and cash equivalents at the end of the semester	20,183,125	20,431,166
Effect of exchange rate changes on cash and cash equivalents	1,891,243	(812,700)

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

## 1 - THE BANK AND ITS ATTRIBUTIONS

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

These condensed interim financial statements were analyzed by the administrative officer, who recommended a favorable vote for their approval on August 10, 2012. As established in Law 4595 of 1964, the National Monetary Council (CMN) authorized the publication of these statements on August 23, 2012 and they are available on the Bank's Internet website ([www.bcb.gov.br](http://www.bcb.gov.br)).

## 2 - PRESENTATION

The Bank's condensed interim financial statements as at June 30, 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and follow the provisions of the International Accounting Standard (IAS) 34 – Interim Financial Reporting. Therefore, they do not include all the disclosures required for a complete set of financial statements and should be read along with the financial statements as of December 31, 2011.

## 3 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by the Bank, which were applied consistently to the comparative financial information, is presented below.

### 3.1. Determination of profit and loss

The Bank's profit and loss is determined semi-annually on an accrual basis and is transferred to the National Treasury in the event of net income or covered by the National Treasury in the event of a net loss (Notes 21.1 and 23.a).

### 3.2. Recognition of interest income and expenses

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

Interest income and expenses presented in the income statement include interest income and expenses of the Bank's financial assets and liabilities not classified as At Fair Value Through Profit and Loss.

### 3.3. Assets and liabilities in foreign currencies

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

	Jun 30, 2012	Dec 31, 2011
US Dollar	2.0210	1.8755
Euro	2.5601	2.4337
Canadian Dollar	1.9834	1.8397
Australian Dollar	2.0690	1.9112
Pound Sterling	3.1701	2.9141
Swedish Krona	0.2924	0.2731
Danish Krone	0.3444	0.3275
Yen	0.0253	0.0243
SDR	3.0669	2.8794
Gold (troy ounces)	3,224.9097	2,871.3140

The exchange rates used are those freely fixed by the agents and published by the Bank, except for the quotation for gold, which is the PM Fixing, published by the London Stock Exchange, translated into Reais at the rate for the US dollar on the balance sheet date.

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

### **3.4. Financial assets and liabilities**

#### **3.4.1 Recognition**

Financial assets and liabilities are recognized at their fair values at the time they are contracted, i.e. on the date on which the entity undertakes to purchase or sell them, and for those that are not classified as At Fair Value Through Profit and Loss, this amount includes all the costs incurred in the transaction.

The Bank conducts operations in which it neither receives nor transfers substantially all the risks and benefits of financial assets traded, as in resale agreements. In this situation, the assets traded are not recognized in the accounting and the amounts invested are recorded in the balance sheet at the amounts advanced.

#### **3.4.2 Derecognition**

Financial assets are derecognized when:

- a) the rights to receive their cash flows expire, due to financial settlement, lack of expected settlement or in the event of loss of the right of realization; or
- b) the Bank transfers the rights to receive the cash flows substantially transferring all the risks and benefits of ownership. When it is not possible to determine if there is substantial retention or transfer of all of the risks and benefits of ownership, the financial assets are derecognized if there is no retention of control over the transferred financial assets.

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

The Bank carries out operations in which it transfers the assets recognized in its balance sheet, but it remains with control through retaining risks and the right to income and expenses. The main transactions with these characteristics are repurchase agreements and securities lending operations. In these cases, the assets traded are not derecognized in the accounting records and the amounts traded are registered in the balance sheet.

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

Financial assets and liabilities are offset and recorded at net value when there are the intention and the legal right to settle the resulting payments and receipts on a net basis. Transactions with these characteristics are carried out in the Local Currency Payment System (SML) and the Agreement on Reciprocal Payments and Credits (CCR), presented in credits receivable or payable, according to the balance posted on the balance sheet closing date.

#### **3.4.4 Classification of financial instruments**

At the time of their acquisition, financial assets are recognized at fair value and classified in one of the following categories, which define the criteria for subsequent measurement:

##### **a) At fair value through profit and loss**

A financial instrument is classified in the category At Fair Value Through Profit and Loss, with the gains and losses resulting from changes in the fair value recognized in the income statement, in the event of one of the following situations:

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



**b) Held-to-maturity**

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

**c) Loans and receivables**

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

**d) Available-for-sale**

This category records the non-derivative financial assets that are not classified in the other categories, since Management does not have a specific intention to sell them. These assets are carried at their fair value and their gains and losses are recognized in equity and recognized in the income statement when effectively realized. However, the interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

**3.4.5 Measurement**

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

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

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

<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
Funds under External Management - External Management Program	At fair value through profit and loss	Fair value - Custodian
Funds under External Management - BIS Investment Fund	At fair value through profit and loss	Fair value - Bank for International Settlements (BIS)
Financial Assets Purchased Under Resell Agreement	Loans and receivables	Amortized cost
Derivatives - Futures	At fair value through profit and loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit and loss	Fair value - Internal Models/Bloomberg
Securities	At fair value through profit and loss	Fair value - Bloomberg
Receivables	Loans and receivables	Amortized cost
Gold	Available for sale	Fair value - PM Fixing - London Stock Exchange
Investment in International Financial Organizations	Available for sale	Fair value - Redemption value in Reais
<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 Resell Agreement	Loans and receivables	Amortized cost
Derivatives - Swap	At fair value through profit and loss	Fair value - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At fair value through profit and loss	Fair value - The Bank
Federal Government Securities - LTN	Available for sale	Fair value - Anbima
Federal Government Securities - except LTN	Held-to-maturity	Amortized cost
Receivables from the Federal Government	Loans and receivables	Amortized cost
Receivables - Institutions under Extrajudicial Liquidation - Original	At fair value through profit and loss	Fair value - Fair value of the collateral
Receivables - Institutions under Extrajudicial Liquidation - In installments	At fair value through profit and loss	Fair value - Discounted cash flow
Receivables - Other	Loans and receivables	Amortized cost
<b>Liabilities in Foreign 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 Repurchase Agreement	Other liabilities	Amortized cost
Derivatives - Futures	At fair value through profit and loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit and loss	Fair value - Internal Models/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 Repurchase Agreement	Other liabilities	Amortized cost
Derivatives - Swap	At fair value through profit and loss	Fair value - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At fair value through profit and loss	Fair value - The Bank
Payables to the Federal Government	Other liabilities	Amortized cost
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

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

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

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

- a) financial difficulties of the obligor;
- b) default of any payment, whether related to the principal or interest;
- c) renegotiation or discounts granted;
- d) extrajudicial liquidation, bankruptcy and financial reorganization;
- e) disappearance of an active market, due to financial difficulties of the issuer.

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

Provision for impairment of financial assets is assessed individually by a multi-departmental committee, which is responsible for verifying the appropriateness of the values and the methodologies used.

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

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

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

### **3.4.7 Derivatives**

Derivatives are recognized at fair value since the date they are contracted and are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank does not apply hedge accounting as established in IAS 39 and, accordingly, recognizes all gains and losses in the income statement.

## **3.5. Property and equipment**

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

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

- a) buildings: 62.5 years
- b) equipment and furniture:
  - computer equipment and vehicles: five years
  - other equipment and furniture: ten years.

### **3.6. Provisions**

#### **3.6.1 Litigation**

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

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

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

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

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

Actuarial gains and losses resulting from adjustments based on experience and on changes in actuarial assumptions are fully recognized in equity.

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

### **3.7. Tax immunity**

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

### **3.8. Statement of cash flows**

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

For purposes of the statement of cash flows, cash and cash equivalents include cash, demand deposits and very short-term time deposits.

## **4 - CASH AND CASH EQUIVALENTS**

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

The variation in the period mainly arises from the increase in reserves, since the new rebalancing of the portfolio of fixed income investments is scheduled for the beginning of the second semester of 2012. The impact of the exchange variation verified in the period (Note 3.3) also contributed to this increase.

## **5 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS**

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

The variation in the balance of these deposits is due to the increase in international reserves and the effects of the depreciation of the Real against the USD (Note 3.3). The new rebalancing of the portfolio of fixed income investments is scheduled for the beginning of the second semester of 2012.

## 6 - FUNDS UNDER EXTERNAL MANAGEMENT

	<u>Jun 30, 2012</u>	<u>Dec 31, 2011</u>
<b>Fund managed by BIS</b>	<b>505,109</b>	<b>455,689</b>
<b>External Management Program</b>	<b>11,796,451</b>	<b>-</b>
<b>Securities</b>	<b>10,318,124</b>	<b>-</b>
Up to 1 year	2,349,741	-
1 - 5 years	6,725,057	-
More than 5 years	1,243,326	-
<b>Index funds</b>	<b>1,079,936</b>	<b>-</b>
Shares	898,561	-
Fixed income	181,374	-
<b>Cash receivable</b>	<b>398,391</b>	<b>-</b>
<b>Total</b>	<b>12,301,560</b>	<b>455,689</b>

### 6.1. Funds managed by the Bank for International Settlements (BIS)

These refer to the investment placed in the Bank for International Settlements Investment Pool Inflation-linked Government Bond Fund (BISIP ILF1), a fund managed by the BIS for the investment of international reserves of central banks.

The portfolio is managed by three external managers, selected by BIS, each with a specific investment strategy, namely: active management, enhanced indexing and passive management.

The quotaholders of the fund may request the partial or complete withdrawal of their investments at any time, as long as, in accordance with the judgment of BIS, the requested amount does not have significant impact on the market prices of the fund's assets. However, BIS provides immediate liquidity if the requested settlement is not implemented due to market conditions.

### 6.2. Program for external management of international reserves

The Program for External Management of International Reserves (PGER) corresponds to the outsourcing of the management of a portion of the reserves for international institutions specialized in portfolio management (external managers), with the main objective of transferring knowledge to the Bank.

These institutions receive a management fee, established in the contract, and are evaluated based on the benchmark portfolio defined by the Bank, which also defines guidelines for the investment of the funds. The assets of the Program are held on behalf of the Bank, under the responsibility of a global custodian selected for this specific purpose, therefore without incurring in the credit risk of the manager.

PGER, interrupted in the beginning of 2010, was resumed in February 2012 after reformulation and selection of new international financial institutions. The initial amount allocated to the external managers was US\$ 6 billion, divided equally among them.

## 7 - FINANCIAL ASSETS PURCHASED UNDER RESELL AGREEMENT/SOLD UNDER REPURCHASE AGREEMENT

These are transactions in which assets are purchased under an agreement to be sold on a future date (reverse repo) or are sold under an agreement to be repurchased at a future date (repo). On the foreign market, the Bank normally trades with the same counterparty a repo along with a reverse repo, where the cash settlement of these operations occurs independently.

In these operations, considering their characteristics, the assets traded are recorded as collaterals, except in the event of purchases (sales) in cash of foreign currency combined with the forward resale (repurchase), since cash settlement occurs only upon payment on the agreed upon date, that is, receipt of the traded currency settles the operation.

## 7.1. In foreign currencies

	<u>Jun 30, 2012</u>	<u>Dec 31, 2011</u>
<b>Reverse repo</b>	<b><u>722,422</u></b>	<b><u>5,858,935</u></b>
Currencies	722,422	5,858,935
<b>Repo</b>	<b><u>719,778</u></b>	<b><u>5,892,661</u></b>
Currencies	719,778	5,892,661

The variation in the period arises mainly from the maturity of the transactions under repurchase and resale agreements contracted at the end of 2011 according to the strategy of investment of the international reserves.

## 7.2. In local currency

	<u>Jun 30, 2012</u>	<u>Dec 31, 2011</u>
<b>Reverse repo</b>	<b><u>15,399,999</u></b>	<b><u>9,299,998</u></b>
Securities	15,399,999	9,299,998
<b>Collaterals</b>	<b><u>15,580,333</u></b>	<b><u>9,362,687</u></b>
<b>Repo</b>	<b><u>459,445,194</u></b>	<b><u>351,178,116</u></b>
Securities	459,445,194	351,178,116
<b>Collaterals</b>	<b><u>444,871,153</u></b>	<b><u>348,223,829</u></b>
Freely tradable	124,628,402	165,501,562
Not freely tradable	320,242,751	182,722,267

The increase in the balance of repo operations was caused, mainly, by the increased level of liquidity of the domestic market due to changes in the rules of compulsory reserve requirements on term deposits, which caused the release of funds to the banking system (Note 14). To a lesser extent, the following also contributed to the increase in the balance: performance of the Bank on the interbank foreign exchange market, through auctions to purchase foreign currency, and the net redemption of federal government securities held by the general public, including the payment of interest.

## 8 - DERIVATIVES

### 8.1. In foreign currencies

In the management of the international reserves, the Bank uses derivatives in its routine operations for the purpose of making viable the investment strategy previously established by the Committee on Investment Strategy or to manage exposure to market risk, aiming to achieve security, liquidity and profitability, and also hedging the country's short-term sovereign debt.

The notional amounts of the agreements in force and their respective fair values per type of operation and per maturity are presented in the table below. There is no adjustment balance, positive or negative, for futures transactions, since they are settled daily through a margin account.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2012**

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

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**Jun 30, 2012**

Derivative/Currency	Long position	Short position	Positive adjustment	Negative adjustment
<b>Forward</b>				
1 - 6 months			2,339	4,417
Canadian Dollar	52,570	-	-	-
Euro	-	146,317	-	-
Yen	-	50,384	-	-
Norwegian Krone	125,839	-	-	-
New Zealand Dollar	-	103,556	-	-
U S Dollar	295,830	176,109	2,339	4,417
<b>Index futures</b>				
1 - 6 months			-	-
U S Dollar	-	765,423	-	-
<b>Commodity futures</b>				
1 - 6 months			-	-
U S Dollar	815,370		-	-
<b>Securities futures</b>				
1 - 5 years			-	-
U S Dollar	19,357,454		-	-
Euro	-	31,258,612	-	-
5 to 10 years			-	-
U S Dollar	12,081,809	-	-	-
Australian Dollar	-	1,837,771	-	-
Euro	1,810,805	-	-	-
> 10 years			-	-
U S Dollar		3,523,648	-	-
<b>Total</b>			<b>2,339</b>	<b>4,417</b>

**Dec 31, 2011**

Derivative/Currency	Long position	Short position	Positive adjustment	Negative adjustment
<b>Forward</b>				
1 - 6 months			350	2,347
Australian Dollar	57,335	19,112	-	-
Canadian Dollar	-	36,793	-	-
Swiss Franc	-	56,524	-	-
Euro	114,040	-	-	871
Yen	-	1,222	-	-
Swedish Krona	-	18,547	-	-
U S Dollar	57,224	98,294	350	1,476
<b>Securities futures</b>				
1 - 5 years			-	-
U S Dollar	3,925,298	-	-	-
<b>Total</b>			<b>350</b>	<b>2,347</b>

**8.2. In local currency****8.2.1. Swap**

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

In the long positions of these contracts, the Bank is on the asset side in a domestic interest rate, represented by the average rate of the Interbank Deposits (DI) for one working day, and on the liability side in foreign currency plus an exchange coupon, which is a representative interest rate in US dollars. Inversely, in the short positions, the bank is on the asset side in foreign currency plus an exchange coupon and on the liability side in a domestic interest rate (DI). The purchase operations for these contracts by the Bank are known on the financial market as exchange swaps and the selling operations are identified as reserve exchange swaps.

The notional amounts of the agreements in force and the fair values per type of operation and per maturity are presented in the table below:

**Jun 30, 2012**

	Notional Value			Fair value	
	Long position	Short position	Net position	Assets	Liabilities
1 month	11,258,641	(5,346,339)	5,912,303	185,924	-
1 - 6 months	21,870,466	-	21,870,466	132,553	-
<b>Total</b>	<b>33,129,107</b>	<b>(5,346,339)</b>	<b>27,782,769</b>	<b>318,477</b>	<b>-</b>

**Dec 31, 2011**

	Notional Value			Fair value	
	Long position	Short position	Net position	Assets	Liabilities
1 month	4,462,059	(4,830,185)	(368,126)	-	37
1 - 6 months	2,129,033	(4,117,381)	(1,988,348)	-	8,472
6 - 12 months	328,265	(1,003,553)	(675,288)	-	2,827
<b>Total</b>	<b>6,919,357</b>	<b>(9,951,119)</b>	<b>(3,031,762)</b>	<b>-</b>	<b>11,336</b>

**8.2.2. Foreign exchange equalization**

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

Through exchange equalization, which presents characteristics similar to a swap, the carrying cost of international reserves (represented by the difference between the profitability of the reserves and the Bank's average funding cost) and the result of the exchange swaps made on the domestic market are transferred to the federal government through the National Treasury. These amounts are calculated daily and the balance payable or receivable is calculated on the last working day of the semester, and will be settled financially according to the same rules established for the transfer or coverage of the results (Notes 12 and 23.a).

**a) Equalization of the carrying cost of the international reserves**

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

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

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

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

**9 - SECURITIES****9.1. In foreign currencies**

	<b>Jun 30, 2012</b>	<b>Dec 31, 2011</b>
<b>Uncommitted securities</b>	<b>682,934,408</b>	<b>614,062,619</b>
1 month	7,110,198	98,226
1 - 6 months	38,021,073	23,934,370
6 - 12 months	19,554,771	28,170,193
1 - 5 months	568,864,892	514,689,636
More than 5 years	49,383,474	47,170,194
<b>Securities subject to definitive sale operations pending settlement</b>	<b>327,161</b>	<b>259,310</b>
6 - 12 months	215,068	
1 - 5 years	112,094	259,310
<b>Total</b>	<b>683,261,569</b>	<b>614,321,929</b>

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

These securities are classified as At Fair Value Through Profit and Loss. The table below presents the amortized cost and the fair value of these assets:

	<b>Jun 30, 2012</b>	<b>Dec 31, 2011</b>
Amortized Cost	669,950,032	601,580,972
Fair Value Adjustment	13,311,537	12,740,957
<b>Carrying Amount</b>	<b>683,261,569</b>	<b>614,321,929</b>

The difference in the portfolio of securities in foreign currencies was due mainly to the depreciation of the Real against the main foreign currencies that compose the reserves.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2012

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

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### 9.2. In local currency

Jun 30, 2012

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Uncommitted securities</b>	<b>31,570,341</b>	<b>921,609</b>	<b>22,100,046</b>	<b>206,531,499</b>	<b>158,048,128</b>	<b>419,171,623</b>
National Treasury Bills (LTN)	31,570,341	745,739	6,526,739	89,508,829	-	128,351,648
Financial Treasury Bills (LFT)	-	-	5	28,274,472	52,447	28,326,924
National Treasury Notes – Series B (NTN-B)	-	175,870	245,753	49,666,609	119,306,392	169,394,624
National Treasury Notes – Series F (NTN-F)	-	-	15,327,549	39,081,589	38,689,289	93,098,427
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>25,917,688</b>	<b>70,193,349</b>	<b>243,164,923</b>	<b>105,595,193</b>	<b>444,871,153</b>
National Treasury Bills (LTN)	-	10,529,105	13,460,326	78,405,962	-	102,395,393
Financial Treasury Bills (LFT)	-	-	39,669,534	110,672,054	472,016	150,813,604
National Treasury Notes – Series B (NTN-B)	-	15,388,583	15,820,715	34,363,586	82,940,729	148,513,613
National Treasury Notes – Series F (NTN-F)	-	-	1,242,774	19,723,321	22,182,448	43,148,543
<b>Securities subject to loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,266</b>	<b>12,266</b>
National Treasury Notes – Series B (NTN-B)	-	-	-	-	12,266	12,266
<b>Securities subject to exchange rate swap guarantee margin</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,907,275</b>	<b>-</b>	<b>1,907,275</b>
Financial Treasury Bills (LFT)	-	-	-	1,907,275	-	1,907,275
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>125</b>	<b>219</b>
National Treasury Notes – Series P (NTN-P)	-	-	-	94	125	219
<b>Total</b>	<b>31,570,341</b>	<b>26,839,297</b>	<b>92,293,395</b>	<b>451,603,791</b>	<b>263,655,712</b>	<b>865,962,536</b>

Dec 31, 2011

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Uncommitted securities</b>	<b>15,777,152</b>	<b>5</b>	<b>38,144,159</b>	<b>196,067,388</b>	<b>153,965,733</b>	<b>403,954,437</b>
National Treasury Bills (LTN)	-	-	27,404,540	72,554,541	-	99,959,081
Financial Treasury Bills (LFT)	-	5	-	41,551,447	234,430	41,785,882
National Treasury Notes – Series B (NTN-B)	-	-	10,739,619	45,742,275	134,484,281	190,966,175
National Treasury Notes – Series F (NTN-F)	15,777,152	-	-	36,219,125	19,247,022	71,243,299
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>53,873,933</b>	<b>17,685,556</b>	<b>204,597,599</b>	<b>72,066,741</b>	<b>348,223,829</b>
National Treasury Bills (LTN)	-	-	13,368,564	38,670,497	-	52,039,061
Financial Treasury Bills (LFT)	-	53,873,933	-	128,581,632	266,702	182,722,267
National Treasury Notes – Series B (NTN-B)	-	-	4,316,992	26,775,566	37,876,183	68,968,741
National Treasury Notes – Series F (NTN-F)	-	-	-	10,569,904	33,923,856	44,493,760
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>121</b>	<b>212</b>
National Treasury Notes – Series P (NTN-P)	-	-	-	91	121	212
<b>Total</b>	<b>15,777,152</b>	<b>53,873,938</b>	<b>55,829,715</b>	<b>403,029,713</b>	<b>226,032,595</b>	<b>754,543,113</b>

The Bank seeks to manage its portfolio so as to have adequate instruments available for the execution of its monetary policy, i.e. the carrying out of purchase and sales operations for securities either definitively or as a firm commitment. The breakdown of this portfolio, therefore, tends to accompany the profile of the federal government securities held by the market, where, for this, the Bank, in the measure that the securities in its portfolio fall due, recomposes its portfolio through purchases in public offerings by the National Treasury, where these operation are always made at the average price paid by the other market players.

The following table presents the amortized cost value and the mark-to-market value of these securities:

	Jun 30, 2012			Dec 31, 2011		
	Amortized cost	Fair value adjustment	Carrying amount	Amortized cost	Fair value adjustment	Carrying amount
<b>Available-for-sale</b>	<b>220,639,408</b>	<b>10,107,633</b>	<b>230,747,041</b>	<b>148,286,672</b>	<b>3,711,470</b>	<b>151,998,142</b>
LTN	220,639,408	10,107,633	230,747,041	148,286,672	3,711,470	151,998,142
<b>Held-to-maturity</b>	<b>635,215,495</b>	<b>-</b>	<b>635,215,495</b>	<b>602,544,971</b>	<b>-</b>	<b>602,544,971</b>
LFT	181,047,803	-	181,047,803	226,872,784	-	226,872,784
NTN-B	317,920,503	-	317,920,503	259,934,916	-	259,934,916
NTN-F	136,246,970	-	136,246,970	115,737,059	-	115,737,059
NTN-P	219	-	219	212	-	212
<b>Total</b>	<b>855,854,902</b>	<b>10,107,633</b>	<b>865,962,536</b>	<b>750,831,643</b>	<b>3,711,470</b>	<b>754,543,113</b>

The variation observed in the Bank's portfolio of federal government securities is due, primarily, to the incorporation of securities transferred by the National Treasury to cover the negative results from the foreign exchange equalization incurred in the second semester of 2010 and first semester of 2011. In a lower proportion, the earnings from the securities accrued in the period also contributed to the increase in the portfolio balance.

## 10 - RECEIVABLES

### 10.1. In foreign currencies

	Jun 30, 2012	Dec 31, 2011
New Arrangements to Borrow	2,735,941	2,160,171
Other receivables	5,121	8,866
<b>Total</b>	<b>2,741,063</b>	<b>2,169,037</b>

The balance of receivables in foreign currencies refers mainly to the Bank's participation in New Arrangements to Borrow (NAB), under the responsibility of the IMF. The variation in the balance arises mainly from the additional contribution of SDR 142 million made by the Bank in the period.

## 10.2. In local currency

Jun 30, 2012			
	Amortized Cost	Fair Value Adjustment	Carrying Amount
<b>At fair value through profit and loss - Designation</b>	<b>68,601,266</b>	<b>(30,198,724)</b>	<b>38,402,542</b>
<b>Original receivables</b>	<b>65,674,340</b>	<b>(29,006,754)</b>	<b>36,667,586</b>
Banco Nacional - Under Extrajudicial Liquidation	32,693,443	(12,556,306)	20,137,137
Banco Econômico - Under Extrajudicial Liquidation	32,980,897	(16,450,448)	16,530,449
<b>Receivables in installments</b>	<b>2,926,926</b>	<b>(1,191,970)</b>	<b>1,734,956</b>
Banco Banorte - Under Extrajudicial Liquidation	508,852	(207,219)	301,633
Banco Bamerindus - Under Extrajudicial Liquidation	2,418,074	(984,751)	1,433,323
<b>Loans and receivables</b>	<b>3,307,411</b>	<b>-</b>	<b>3,307,411</b>
Loans related to rural credit	2,207,870	-	2,207,870
Centrus	1,005,460	-	1,005,460
Other	94,081	-	94,081
<b>Total</b>	<b>71,908,677</b>	<b>(30,198,724)</b>	<b>41,709,953</b>
Dec 31, 2011			
	Amortized Cost	Fair Value Adjustment	Carrying Amount
<b>At fair value through profit and loss - Designation</b>	<b>68,643,479</b>	<b>(31,672,489)</b>	<b>36,970,990</b>
<b>Original receivables</b>	<b>65,621,587</b>	<b>(30,350,074)</b>	<b>35,271,513</b>
Banco Nacional - Under Extrajudicial Liquidation	32,805,739	(14,718,108)	18,087,631
Banco Econômico - Under Extrajudicial Liquidation	30,310,999	(15,481,663)	14,829,336
Banco Mercantil - Under Extrajudicial Liquidation	2,354,543	-	2,354,543
Banco Banorte - Under Extrajudicial Liquidation	150,303	(150,303)	-
Banco Morada - Under Extrajudicial Liquidation	3	-	3
<b>Receivables in installments</b>	<b>3,021,892</b>	<b>(1,322,415)</b>	<b>1,699,477</b>
Banco Banorte - Under Extrajudicial Liquidation	525,428	(229,933)	295,495
Banco Bamerindus - Under Extrajudicial Liquidation	2,496,464	(1,092,482)	1,403,982
<b>Loans and receivables</b>	<b>3,186,600</b>	<b>-</b>	<b>3,186,600</b>
Loans related to rural credit	2,200,764	-	2,200,764
Centrus	966,887	-	966,887
Other	18,949	-	18,949
<b>Total</b>	<b>71,830,079</b>	<b>(31,672,489)</b>	<b>40,157,590</b>

### At fair value through profit and loss – designation

#### a) Original credits

This refers basically to the Bank's receivables from institutions under liquidation originating from financial assistance (Proer loans) and from the balances resulting from overdrafts in the Banking Reserves account.

These credits are classified as At Fair Value Through Profit and Loss by designation of the Bank's Management. These credits are stated at the fair value of the original collateral, formed by LFT, NTN-

A3 and FCVS/CVS, excluding the credits that are preferential in relation to the Bank (payments of expenditures that are essential for the liquidation, wages and tax charges).

In relation to the position as at December 31, 2011, it has been settled through payment in cash the credits held against: Banco Mercantil - Under Extrajudicial Liquidation, on January 26, 2012, a fact disclosed as an event after the reporting period in the 2011 annual statements; Banco Banorte - Under Extrajudicial Liquidation, on March 19, 2012, related to the financial assistance under Proer loans (debts resulting from overdrafts in the Banking Reserves account are being paid in installments); and Banco Morada - Under Extrajudicial Liquidation, on January 4, 2012.

## b) Credits receivable in installments

With the publication of Law 12249, of June 11, 2010, the Bank's credits with the institutions under liquidation became liable for payment in cash or in installments, with discounts from 25% to 45% due on the charges. The general principle that guides the settlement of receivables is the admission of federal government securities in payment, whose valuation will be attributed by the Bank for each type of security offered, considering the lower value between face value and market value.

Payment will be made in 180 consecutive, monthly installments, adjusted by the TR, as assured to institutions under liquidation by Article 9, main clause, of Law 8177 of March 1, 1991 with the wording given by Law 8218, of August 29, 1991. If the extrajudicial liquidation is terminated, if there is surplus bankrupt estate or if there are other legal grounds for removing the incidence of the TR, the monthly installments will be adjusted by the Selic rate.

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

These receivables are classified as At Fair Value Through Profit and loss by designation of the Bank's Management, considering the same characteristics observed for the original receivables (item "a").

The fair value of the receivables corresponds to the present value of the cash flows, calculated through the use of equivalent market rates.

## 11 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

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

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

	Jun 30, 2012	Dec 31, 2011
International Monetary Fund - IMF	13,035,646	12,238,677
Bank for International Settlements - BIS	76,297	71,633
<b>Total</b>	<b>13,111,943</b>	<b>12,310,310</b>

Since during the related period there was no change in the Bank's interest in IMF and BIS, the increase in the accounting balance in the first semester of 2012 arose specifically from the depreciation of the Real against the SDR.

## 12 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

<b>Assets</b>	<b>Jun 30, 2012</b>	<b>Dec 31, 2011</b>
Foreign exchange equalization	-	101,274,794
Other	7,629	41
<b>Total</b>	<b>7,629</b>	<b>101,274,835</b>

<b>Liabilities</b>	<b>Jun 30, 2012</b>	<b>Dec 31, 2011</b>
National Treasury Operating Account	591,659,841	475,622,276
Result to be transferred	12,321,388	11,243,847
Foreign exchange equalization	32,210,001	90,240,059
Other	1,073,403	1,084,732
<b>Total</b>	<b>637,264,633</b>	<b>578,190,914</b>

Due to legal provisions, the Bank has a financial relationship with the National Treasury. The main transactions are described in greater detail in Note 22.1.

The decrease observed in the asset accounts is associated with the result obtained in the foreign exchange equalization carried out in the second semester of 2010 and the first semester of 2011 (Note 9.2). The difference observed in the liability accounts is due to the behavior of the Operating Account balance, the transfer of the result of the foreign exchange equalization of the second semester of 2011 and the calculation of the foreign exchange equalization and the profit or loss for the period (Note 22.1).

## 13 - ITEMS IN THE COURSE OF COLLECTION

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

## 14 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	<b>Jun 30, 2012</b>	<b>Dec 31, 2011</b>
<b>In Foreign Currencies</b>	<b>1,437</b>	<b>1,333</b>
<b>In Local Currency</b>	<b>374,176,701</b>	<b>424,925,295</b>
Demand Deposits	47,639,246	51,465,641
Time Deposits	91,800,876	130,616,900
Savings Deposits	86,306,186	80,713,232
Additional Requirements	144,095,649	157,685,941
Other	4,334,743	4,443,581
<b>Total</b>	<b>374,178,138</b>	<b>424,926,628</b>

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

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

Changes in the balance of deposits received from financial institutions are associated basically with two factors: (i) changes in the regulation of the compulsory reserve requirements, such as the creation and the stimulation of the use of operations deductible in the compulsory reserve requirements; and (ii) the seasonality of the demand deposits, usually more elevated in December and January.

**15 - CURRENCY IN CIRCULATION**

The change in the balance of the currency in circulation in the first semester of 2012 is due mainly to a type of behavior usually verified in the demand for currency in this period, which is the reversal of a typical end-of-year seasonal movement, where an increase in demand for currency is verified as a result of the payment of the 13th salary and end-of-year festivities.

**16 - GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY**

	Dec 31, 2011	Fair Value Adjustment	Write-off	Jun 30, 2012
Federal Government Securities (Note 9.2)	5,621,981	6,396,164	(16,985)	12,001,160
Gold	2,611,516	138,048	-	2,749,564
Investments in International Financial Organizations (Note 11)	(4,797,498)	801,633	-	(3,995,865)
Actuarial gains and losses	(11,340,822)	-	-	(11,340,822)
<b>Total</b>	<b>(7,904,823)</b>	<b>7,335,845</b>	<b>(16,985)</b>	<b>(585,963)</b>

	Dec 31, 2010	Fair Value Adjustment	Write-off	Jun 30, 2011
Federal Government Securities (Note 9.2)	1,815,090	(18,961)	(96,694)	1,699,435
Gold	2,478,928	175,329	-	2,654,257
Investments in International Financial Organizations (Note 11)	(6,060,939)	(367,616)	-	(6,428,555)
Actuarial gains and losses	(9,016,067)	-	-	(9,016,067)
<b>Total</b>	<b>(10,782,988)</b>	<b>(211,248)</b>	<b>(96,694)</b>	<b>(11,090,930)</b>

These refer to the fair value adjustments of financial assets classified as Available-for-Sale and the actuarial gains and losses arising from the provision for payment of post employment benefits.

The change in the period is mainly due to the positive fair value adjustment of federal government securities, as a result of the decrease in the market interest rates and its subsequent impact on the prices of LTNs.

**17 - NET INTEREST RESULT**

This refers to interest income and expenses of the Bank's financial assets and liabilities not classified as At Fair Value Through Profit and Loss.

	1st sem/2012	1st sem/2011
<b>Interest income</b>	<b>46,494,709</b>	<b>46,905,123</b>
<b>In foreign currencies</b>	<b>49,016</b>	<b>93,476</b>
Cash and cash equivalents (Note 4)	16,563	36,964
Time Deposits Placed with Financial Institutions (Note 5)	16,523	43,280
Reverse repo (Note 7.1)	12,242	8,247
Other	3,688	4,985
<b>In local currency</b>	<b>46,445,693</b>	<b>46,811,647</b>
Securities (Note 9.2)	45,255,413	43,377,917
Federal Government (Note 12)	698,894	2,910,496
Other	491,386	523,234
<b>Interest expenses</b>	<b>(65,098,805)</b>	<b>(60,665,476)</b>
<b>In foreign currencies</b>	<b>(5,327)</b>	<b>(20,379)</b>
Repo (Note 7.1)	(679)	(2,921)
Loans	(4,161)	(17,223)
Other	(487)	(235)
<b>In local currency</b>	<b>(65,093,478)</b>	<b>(60,645,097)</b>
Deposits received from financial institutions (Note 14)	(14,349,556)	(16,444,384)
Repo (Note 7.2)	(22,669,337)	(21,809,047)
Federal Government (Note 12)	(26,635,473)	(21,412,196)
Other	(1,439,112)	(979,470)
<b>Net interest results</b>	<b>(18,604,096)</b>	<b>(13,760,353)</b>

The change observed in the interest results is mainly due to the increase in expenses with interest in local currency, specially remuneration of the obligations with the federal government – due to the increase of the average balance of the Operating Account (Notes 12 and 22.1) in the period and the effects of the transfer to the National Treasury of the positive result of the second semester of 2011.

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

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

	1st sem/2012	1st sem/2011
<b>In foreign currencies</b>	<b>56,842,472</b>	<b>(17,442,302)</b>
Securities (Note 9.1)	54,821,776	(17,478,721)
Funds under External Management (Note 6)	1,422,335	(8,984)
Other	598,361	45,403
<b>In local currency</b>	<b>(31,400,380)</b>	<b>44,466,493</b>
Derivatives (Note 8.2)	(31,400,374)	44,466,494
Other	(6)	(1)
<b>Total</b>	<b>25,442,092</b>	<b>27,024,191</b>

The explanations for the material changes observed are as follows:

- a) securities in foreign currencies - the change is mainly due to the effect of the depreciation of the Real against the USD in the first semester of 2012 (Note 3.3), the currency in which the major part of the reserves is denominated, while in the first semester of 2011 an opposite movement was verified in the exchange rates;
- b) derivatives in local currency - a change resulting from the calculation of a negative result in the foreign exchange equalization operation (Notes 12 and 8.2.2), due to the effects of the depreciation of the Real on the international reserves, while in the previous period an opposite result was verified.

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

These include interest and mark-to-market of the receivables with the institutions under extrajudicial liquidation (Note 10.2).

## 20 - GAINS (LOSSES) FROM FOREIGN EXCHANGE

These record the result of foreign exchange restatement of the assets and liabilities in foreign currencies and in local currency, pegged to changes in the foreign exchange rates and that are not classified as At Fair Value Through Profit and Loss.

	1st sem/2012	1st sem/2011
<b>Gains (losses) from foreign exchange</b>		
Cash and cash equivalents (Note 4)	1,891,244	(812,699)
Time deposits placed in financial institutions (Note 5)	2,547,603	(3,005,510)
Items in the course of collection (Note 13)	(1,576,588)	596,638
Other	(433,726)	239,445
<b>Total</b>	<b>2,428,533</b>	<b>(2,982,126)</b>

The change in gains (losses) from foreign currencies results mainly from the effect of the depreciation of the Real against the USD in the first semester of 2012 (Note 3.3), while in the first semester of 2011 an opposite movement was verified in the foreign exchange rates.

## 21 - NET INCOME

### 21.1. Net income for the semester

The net income for the period was R\$12,318,246 (R\$12,230,706 in the first semester of 2011) and resulted mainly from the net interest income on the operations in local currency and from the mark-to-market of the receivables from the institutions under liquidation, since the carrying cost of the international reserve (Note 8.2.2.a) and the effects of the foreign exchange swaps carried out in the domestic market (Note 8.2.2.b) were neutralized through the foreign exchange equalization operation, as presented in the table below:



	1st sem/2012	1st sem/2011
<b>International Reserves Operations and Swaps</b>	-	-
Profitability of the foreign exchange reserves	59,720,639	(20,763,799)
Foreign exchange derivatives - Swaps in local currency	809,627	(1,732,793)
Foreign exchange equalization of reserves and derivatives (Profitability)	(60,530,266)	22,496,592
<b>Other transactions in foreign currencies</b>	<b>(405,945)</b>	<b>412,468</b>
<b>Transactions in local currency</b>	<b>12,815,141</b>	<b>12,006,836</b>
Interest income	46,445,693	46,811,647
Interest expenses	(65,093,478)	(60,645,097)
Foreign exchange equalization (Funding cost)	28,320,265	23,702,695
Mark-to-market - Institutions under liquidation	3,142,661	2,137,591
<b>Other transactions in local currency</b>	<b>(90,950)</b>	<b>(188,598)</b>
<b>Net income for the semester</b>	<b>12,318,246</b>	<b>12,230,706</b>

In accordance with the applicable legislation, the result for the first semester of 2012 will be transferred to the National Treasury not later than the tenth working day after the approval of these financial statements by the CMN (Note 1).

## 21.2. Comprehensive income

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

For the purpose of providing greater transparency to the income statement, the statement of comprehensive income discloses the gains and losses recognized directly in net equity, the items of which are presented in Note 16.

## 22 - RELATED PARTIES

### 22.1 Federal Government

The following table presents the main transactions that took place between the Bank and the federal government in the period:

	1st sem/2012	2st sem/2011
<b>National Treasury Operating Account</b>		
Opening balance	475,622,276	430,216,335
(+) remuneration	24,766,325	21,711,417
(+/-) deposits/withdrawals	(12,212,851)	11,246,493
(+) transfer of positive result	103,484,091	12,448,031
Closing balance	591,659,841	475,622,276
<b>Securities issued by the National Treasury</b>		
Opening balance	754,543,113	722,658,413
(+/-) net purchase (net redemption)	59,784,828	(12,963,073)
(+) remuneration	45,255,417	40,925,225
(+/-) fair value adjustment	6,379,178	3,922,548
Closing balance	865,962,536	754,543,113
<b>Result to be transferred to the National Treasury</b>		
Opening balance	11,243,847	12,233,849
(+) positive result for the period	12,318,246	11,240,705
(+) realization of revaluation reserve	3,142	3,142
(+) remuneration	221,609	214,182
(-) transfers	(11,465,456)	(12,448,031)
Closing balance	12,321,388	11,243,847
<b>Foreign exchange equalization</b>		
Opening balance	-	-
(+/-) adjustments	(32,210,001)	(90,240,059)
(+/-) transfers for credit payable (receivable)	32,210,001	90,240,059
Closing balance	-	-
<b>Receivable due to foreign exchange equalization result</b>		
Opening balance	101,274,794	95,738,821
(+) foreign exchange equalization result	-	-
(+) remuneration	631,075	5,535,973
(-) amounts received	(101,905,869)	-
Closing balance	-	101,274,794
<b>Credit payable due to foreign exchange equalization result</b>		
Opening balance	(90,240,059)	-
(-) foreign exchange equalization result	(32,210,001)	(90,240,059)
(-) remuneration	(1,778,576)	-
(+) payments	92,018,635	-
Closing balance	(32,210,001)	(90,240,059)
<b>Transfer under budget law</b>	1,085,129	1,099,577

## 22.2 Centrus

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

	1st sem/2012	2st sem/2011
<b>Actuarial surplus</b>		
Opening balance	1,149,284	2,164,746
(+/-) actuarial gains/losses	-	(1,340,959)
(+) interest	203,686	325,497
Closing balance	1,352,970	1,149,284
<b>Receivables</b>		
Opening balance	966,887	318,213
(+) interest	56,473	140,605
(+) distribution of surplus	-	532,458
(-) amounts received	(17,900)	(24,389)
Closing balance	1,005,460	966,887

## 23 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

The sole paragraph of Article 8 of Law 4595, of 1964, with the wording given by Decree Law 2376, of November 25, 1987, establishes that "as from January 1, 1988, the results obtained by Banco Central do Brasil, considering the income and expenses of all its operations, shall be determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years".

This provision was partially amended by the Fiscal Responsibility Law (Complementary Law 101 of May 4, 2000):

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

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

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

Accordingly:

- I - the Bank's result considers the revenues and expenses related to all its operations;
- II - the positive results are transferred as revenues to the National Treasury and the negative results are covered as expenses of the National Treasury;
- III - these results are included in the Fiscal Budget in the National Treasury account.

The Bank presented positive results of R\$ 4,813,828 in the first quarter and R\$ 7,504,418 in the second quarter, giving total results of R\$ 12,318,246 in the first semester of 2012 which, after the realization of reserves, will be transferred to the National Treasury not later than the tenth working day after the approval of the financial statements by the CMN. In conformity with paragraph 5 of Article 9 of the Fiscal Responsibility Law, within 90 days of the closing of the semester, the Bank shall present in a joint meeting of the pertinent thematic committees of the National Congress (including the Economic Affairs, Finances and Taxation and Public Budget Commission), an evaluation report on the fulfillment of the objectives and goals of the monetary, credit and foreign exchange policies, clearly showing the impact and the fiscal cost of its operations and the results presented in the balance sheets.

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

In the first quarter of 2012, the cost corresponding to the remuneration of the deposits of the National Treasury was R\$ 11,044,232 and in the second quarter it was R\$ 13,703,663, totaling R\$ 24,747,895 in the semester.

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

At June 30, 2012, 91.47% of the reserve assets were composed of securities, as published in the Press Release of the External Sector (table 49), available on the Bank's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

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

Through this methodology, in the first quarter of 2012, the international reserves presented negative returns of 2.37%, totaling 4.51% negative (R\$ 28,354,917) when considering the funding cost of this entity. In the second quarter, the profitability of the reserves was 10.21%, decreased to 8.18% (R\$ 59,755,291) when taking into consideration the funding cost.

	<b>International Reserves</b>		<b>Cost of</b>	<b>Cost of Maintaining</b>	
	<b>Average Balance</b>	<b>Profitability</b>		<b>International Reserves</b>	
	<b>(R\$ thousand)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(R\$ thousand)</b>
1st quarter/2012	629,200,277	(2.37)	(2.14)	(4.51)	(28,354,917)
2nd quarter/2012	730,428,851	10.21	(2.03)	8.18	59,755,291
<b>Total of the Semester</b>					<b>31,400,374</b>

It should be pointed out that the foreign exchange restatement presents a difference resulting from the translation of the amounts of the reserves assets into Reais, and does not configure as a realized result from a financial point of view. Therefore, after excluding this restatement, in the first quarter of 2012, the international reserves presented a positive return of 0.20%, which is composed by accrued interest (0.33%) and the mark-to-market of the assets (-0.14%). After deducting the Bank's funding costs, the net result of the reserves was negative by 1.94% (R\$ 12,235,011). In the second quarter, the profitability of the reserves was positive by 0.63% (0.30% through the incorporation of interest and 0.33% through mark-to-market of the assets), totaling 1.40% negative (R\$ 10,246,664) when considering the funding costs.

	<b>International Reserves</b>		<b>Cost of</b>	<b>Cost of Maintaining</b>	
	<b>Average Balance</b>	<b>Profitability, excluding</b>	<b>funding</b>	<b>International Reserves</b>	
	<b>(R\$ thousand)</b>	<b>exchange variation (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(R\$ thousand)</b>
1st quarter/2012	629,200,277	0.20	(2.14)	(1.94)	(12,235,011)
2nd quarter/2012	730,428,851	0.63	(2.03)	(1.40)	(10,246,664)
<b>Total of the Semester</b>					<b>(22,481,675)</b>

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

The profitability of the Bank's securities portfolio, composed exclusively of securities issued by the federal government, was R\$ 23,271,588 in the first quarter and R\$ 21,983,825 in the second quarter, totaling R\$ 45,255,413 in the first semester of 2012.

Governor: Alexandre Antonio Tombini

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

Head of the Accounting and Financial Department: Eduardo de Lima Rocha

Accountant – CRC-DF 12.005/O-9

(A free translation of the original in Portuguese)

**Banco Central do Brasil**  
**Report on review of condensed**  
**interim financial statements**  
**at June 30, 2012**



(A free translation of the original in Portuguese)

## **Report on review of condensed interim financial statements**

To the Management  
Banco Central do Brasil

### **Introduction**

We have reviewed the accompanying condensed interim financial statements of Banco Central do Brasil ("Bacen"), which comprise the condensed interim balance sheet as at June 30, 2012 and the condensed interim statements of income, comprehensive income, changes in equity and foreign currency cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the condensed interim financial statements in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of condensed interim financial statements 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 Brazilian and 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.

### **Conclusion on the condensed interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements referred to above are not prepared, in all material respects, in accordance with IAS 34 applicable to the preparation of condensed interim financial statements.



Banco Central do Brasil

#### **Other matters**


##### **Audit and review of prior-year information**

The condensed interim financial statements mentioned in the first paragraph include accounting information corresponding to the statements of income, comprehensive income, changes in equity and foreign currency cash flows for the six-month period ended June 30, 2012, obtained from the condensed interim financial statements for that period, and the balance sheet at December 31, 2011, obtained from the financial statements at the date, presented for comparison purposes. The review of the condensed interim financial statements for the six-month period ended June 30, 2011 and the audit of the financial statements for the year ended December 31, 2011 were conducted by other independent auditors, who issued unqualified review and audit reports dated August 16, 2011 and February 9, 2012, respectively.

##### **Supplementary information**

We have also reviewed the supplementary information presented in Note 23 to the condensed interim financial statements, which is not required by IAS 34 but is being presented in compliance with the Fiscal Responsibility Law. This information has been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the condensed interim financial statements taken as a whole.

Brasília, August 10, 2012

  
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