BANCO CENTRAL DO BRASIL
Administration
Accounting and Financial Department

Condensed Interim Financial Statements

June 30, 2008

In Thousands of Reais

ASSETS	Notes	Jun 30, 2008	Dec 31, 2007
ASSETS IN FOREIGN CURRENCIES		**359,509,815**	**358,117,237**
Cash and Cash Equivalents	5	6,413,743	4,261,705
Time Deposits Placed with Financial Institutions	5	2,960,105	13,570,788
Financial Assets Purchased Under Agreement to Resell		27,304,926	27,768,670
Derivatives		3,732	41,608
Debt Securities	7	313,110,519	302,322,757
Credits Receivables		84,154	-
Gold		1,674,383	1,595,257
Investments in International Financial Oragnizations		7,958,252	8,556,444
Other		1	8
ASSETS IN LOCAL CURRENCY		**497,299,750**	**408,234,298**
Deposits		600,852	598,156
Financial Assets Purchased Under Agreement to Resell	6	-	2,790,896
Derivatives		24,043	393,822
Debt Securities	7	423,470,964	359,335,362
Receivables from the Federal Government	8	44,799,601	17,350,687
Credits Receivables	9	24,114,154	23,803,245
Property, Plant and Equipment		783,484	791,425
Other		3,506,652	3,170,705
TOTAL		**856,809,565**	**766,351,535**

LIABILITIES	Notes	Jun 30, 2008	Dec 31, 2007
LIABILITIES IN FOREIGN CURRENCIES		**39,562,432**	**37,759,860**
Items in the Course of Collection		3,319,817	261,831
Deposits Received from Financial Institutions		430	478
Financial Assets Sold Under Agreements to Repurchase		27,303,567	27,766,297
Derivatives		3,157	77,437
Loans Payable		956,799	1,032,559
Accounts Paybale		-	4,580
Deposit Received from International Financial Organizations		7,977,503	8,615,362
Other		1,159	1,316
LIABILITIES IN LOCAL CURRENCY		**714,105,984**	**624,699,974**
Items in the Course of Collection		170,565	716,616
Deposits Received from Financial Institutions		153,051,843	145,973,427
Financial Assets Sold Under Agreements to Repurchase	6	256,044,636	190,207,090
Derivatives		9,891	2,863
Payables to the Federal Government	8	292,796,974	276,333,619
Accounts Paybale		1,144,314	1,139,276
Deposit Received from International Financial Organizations		20,787	27,633
Provision		10,846,569	10,274,504
Other		20,405	24,946
CURRENCY IN CIRCULATION	10	**92,567,910**	**102,885,047**
EQUITY	11	**10,573,239**	**1,006,654**
Capital		13,072,428	2,576,356
Income Reserve		1,606,019	1,606,019
Revaluation Reserve		475,868	479,011
Gains (Losses) Recognized Directly in Equity		(4,581,076)	(3,654,732)
TOTAL		**856,809,565**	**766,351,535**

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

In Thousands of Reais

	Notes	1st SEM/2008	1st SEM/2007
FOREIGN CURRENCIES OPERATIONS		**(26,386,098)**	**(19,527,571)**
Interest income		586,440	1,071,440
Interest expenses		(348,621)	(146,313)
(=) Net ineterest income	**12**	237,819	925,127
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**13**	(26,370,418)	(17,445,484)
Gains (losses) from foreign exchange	**14**	(253,499)	(3,007,214)
LOCAL CURRENCY OPERATIONS		**29,891,482**	**(10,306,965)**
Interest income		23,150,402	19,934,821
Interest expenses		(33,112,052)	(25,952,313)
(=) Net ineterest income	**12**	(9,961,650)	(6,017,492)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**13**	39,580,163	(4,475,353)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management		305,551	1,497,020
Gains (losses) from foreign currency-linked operations	**14**	(32,582)	(1,311,140)
OTHER INCOME		**921,730**	**908,324**
OTHER EXPENSES		**(1,254,374)**	**(1,378,698)**
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**15**	**3,172,740**	**(30,304,910)**

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - 1st SEMESTER OF 2008

In Thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CHANGES IN ACCOUNTING POLICIES - PROCESS OF ADOPTING IFRSs	TRANSITION ADJUSTMENTS TO IFRSs	CAPITAL	EQUITY
Balance as at December 31, 2007		**1,606,019**	**479,011**	**(3,654,732)**	**-**	**-**	**2,576,356**	**1,006,654**
Capital increase	**11**	-	-	-	-	-	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)
Total Gains (Losses) recognized directly in Equity		**-**	**(3,143)**	**(926,344)**	**-**	**-**	**3,143**	**(926,344)**
Net income (loss) for the semester	**15**	-	-	-	-	-	3,172,740	3,172,740
Total income and expenses recognized during semester		**-**	**(3,143)**	**(926,344)**	**-**	**-**	**3,175,883**	**2,246,396**
Result to be transferred to the National Treasury		-	-	-	-	-	(3,175,883)	(3,175,883)
Balance as at June 30, 2008		**1,606,019**	**475,868**	**(4,581,076)**	**-**	**-**	**13,072,428**	**10,573,239**
Balance as at December 31, 2006		4,662,369	485,564	4,090,432	1,906,017	-	2,576,356	13,720,738
Transition adjustments to IFRSs		-	-	-	-	(4,962,367)	-	(4,962,367)
Correction of errors		-	-	(980,281)	-	-	(833,386)	(1,813,667)
Balance as at December 31, 2006 (Restated)		**4,662,369**	**485,564**	**3,110,151**	**1,906,017**	**(4,962,367)**	**1,742,970**	**6,944,704**
Realization of Revaluation Reserves		-	(3,411)	-	-	-	3,411	-
Available-for-sale Financial Assets								
- Gains (Losses) recognized in Equity		-	-	4,505,203	-	-	-	4,505,203
Total Gains (Losses) recognized directly in Equity		**-**	**(3,411)**	**4,505,203**	**-**	**-**	**3,411**	**4,505,203**
Net income (loss) for the semester		-	-	-	-	-	(30,304,910)	(30,304,910)
Total income and expenses recognized during the Semester		**-**	**(3,411)**	**4,505,203**	**-**	**-**	**(30,301,499)**	**(25,799,707)**
Realization of Income Reserves		(3,056,350)	-	-	(1,906,017)	4,962,367	-	-
Result to be covered by the National Treasury		-	-	-	-	-	30,994,140	30,994,140
Balance as at June 30, 2007		**1,606,019**	**482,153**	**7,615,354**	**-**	**-**	**2,435,611**	**12,139,137**

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

CONDENSED INTERIM CASH FLOW STATEMENT IN FOREIGN CURRENCIES
1st SEMESTER OF 2008
In Thousands of Reais

	1st sem/2008	1st sem/2007
NET CASH FLOW FROM OPERATING ACTIVITIES	**2,721,879**	**3,010,436**
Interest received	5,760,801	4,024,631
Interest paid	(15,549)	(32,136)
(Purchase) sales of securities	(40,080,154)	(109,836,988)
Purchases (sales) of foreign currencies	25,616,436	115,606,226
(Placement) redemptions of repurchase and reverse repurchase transactions	(363,140)	4,412
(Placement) redemptions of time deposits	11,264,621	(13,146,320)
Placement (redemptions) of deposits received	(72,144)	37,331
(Payments) receipts on behalf of the National Treasury	1,219,779	6,288,208
Credits receivable	(89,013)	3,438
Derivatives operations	(500,196)	84,748
Other receipts (payments)	(19,562)	(23,114)
NET CASH FLOW FROM FINANCING ACTIVITIES	**-**	**(145,658)**
Repayments of loan principal	-	(145,658)
NET CASH FLOW	**2,721,879**	**2,864,778**
CHANGE IN CASH AND CASH EQUIVALENTS	**2,721,879**	**2,864,778**
Cash and cash equivalents at the beginning of period	4,261,705	10,566,594
Cash and cash equivalents at the end of period	6,413,743	11,979,450
Effect of exchange rate changes on cash and cash equivalents	(569,841)	(1,451,922)

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

(Unless otherwise stated, amounts are expressed in thousands of Reais) 5

1 - BANCO CENTRAL DO BRASIL AND ITS DUTIES

Banco Central do Brasil (the “Bank”), a federal government that forms part of the National Financial System, was established on December 31, 1964 with the enactment Law 4,595. Its mission is to ensure the stability of the purchasing power of the Brazilian currency and a robust and efficient National Financial System. The head office of the Bank is located in Brasilia, DF, in the Setor Bancário Sul – Quadra 3, Bloco B, and has offices in nine other states of Brazil.

As determined by Law 4,595/1964, the National Monetary Council (CMN) approved these condensed interim financial statements on August 28, 2008. The condensed interim financial statements are available on the Bank’s Internet website (www.bcb.gov.br).

2 - PRESENTATION

The condensed interim financial statements were prepared in accordance with International Financial Reporting Standards (“IFRSs”), issued by the International Accounting Standards Board – IASB, in conformity with International Accounting Standards – IAS 34 – Interim Financial Reporting, and therefore, do not include all of the information required in a complete set of annual financial statements. Thus, the condensed interim financial statements should be read in conjunction with the annual financial statements prepared as at and for the year ending December 31, 2007.

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

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 accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of a net loss (note 17).

3.2. Recognition of interest income and expenses

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

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

3.3. Assets and liabilities denominated in foreign currencies

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

	Jun 30,2008	Dec 31, 2007
Dollar	1,5915	1,7709
Euro	2,5052	2,6077
SDR	2,5999	2,7953
Gold (fine troy-ounces)	1.480,4929	1.476,4879

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

The exchange rates used are those published by the Bank, exception made to the Gold exchange rate. In this case, the rate used is the PM Fixing, disclosed by the London Stock Exchange, converted into Real by the Dollar exchange rates used at the balance sheet date.

3.4. Financial Assets and Liabilities

3.4.1 Recognition

Financial assets and liabilities are registered at their fair values on the respective trade date; i.e., on the date the entity undertakes to the sale or purchase of the instrument. For those instruments that are not classified as at fair value through profit or loss, this amount includes all of 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 expired.

The Bank enters into 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. These assets are not derecognized from the books and records. The main transactions with these characteristics are repurchase and securities lending agreements.

3.4.3 Offsetting of assets and liabilities

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

3.4.4 Classification of Financial Instruments

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

a) Financial assets at fair value through profit or loss

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

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

c) Held-to-maturity

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

d) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortized cost.

3.4.5 Measurement

Fair value is considered the market value as published by 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.

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 method, less the contingent amortization and any impairment losses recognized.

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

Assets in Foreign Currencies	Category	Measurement Basis
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Financial Assets purchased Under Agreements to resell	Loans and Receivables	Amortized Cost
Time Deposits placed with Financial Institutions	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	*PM fixing* - London Stock Exchange
Derivatives - Interest and Securities Futures	At Fair Value Through Profit or Loss	Stock Markets
Derivatives - Currency Forward	At Fair Value Through Profit or Loss	Bloomberg
Debt Securities	At Fair Value Through Profit or Loss	Bloomberg
Credits Receivables	Loans and Receivables	Amortized Cost
Investment in International Financial Organizations	Available-for-sale	Redemption value in reais

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

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

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

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

3.4.6 Impairment of financial assets

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 considers objective evidence of impairment for events occurring after the initial recognition of financial assets that could have an impact on estimated future cash flows 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 estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

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

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

If in a subsequent period the amount of a previously recognized impairment loss decreases, and the decrease relates to an objectively verifiable event occurring after the impairment was recognized, the amount of the reversal is recognized as a gain, except 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 have been created and this benefit can be estimated. Maintenance and repair expenses related to the asset are expensed as incurred.

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

a) Buildings: 62.5 years
b) Equipment and furniture:
   - Computer equipment and vehicles: 5 years
   - Other equipment and furniture: 10 years.

3.6. Provisions

3.6.1 Legal Claims

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

Provisions are adjusted to present value using market interest rates that incorporate similar characteristics and tenures.

3.6.2 Post-employment benefits

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

A defined benefit plan is that where the value of the benefit to the employee at the moment of retirement is predetermined, in view of one or more factors, such as age and period of contribution.

The provision recorded in the balance sheet is the present value of the obligations minus the fair value of the assets of the plans. 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 (note 22.2), which represents an economic benefit available to the Bank.

3.7. Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax exempt as pertains to results arising from the exercise of its 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 - FINANCIAL STATEMENTS ACCOUNTING RECLASSIFICATIONS

The Condensed interim income statement and the condensed cash flow statement of the 1st Semester of 2007 were reclassified in order to allow comparability with the same period of 2008, since the format of these statements were changed with the goal of producing a better form.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 9

The item Retained Earnings of the Equity of the Balance Sheet of 31.12.2007 had its name changed to Capital, in order to follow the change made to the Balance Sheet as of June 30, 2008 (Note 11.1).

5 - CASH AND CASH EQUIVALENTS AND TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

The variation in this item is a result of the reduction of the amounts invested, performed as prudential and temporary measure, motivated by the scenario of international crisis of credit.

6 - FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL (REVERSE REPOS) / SOLD UNDER AGREEMENTS TO REPURCHASE (REPOS) IN LOCAL CURRENCY

	Jun 30, 2008	Dec 31, 2007
Reverse Repurchase Agreement (Reverse Repo)	-	**2.790.896**
Commitment	-	2.790.896
Repurchase Agreement (Repo)	**256.044.636**	**190.207.090**
Repo - transactions of collateral allowed	74.618.771	84.483.437
Repo - transactions of collateral not allowed	181.425.865	105.723.653
Collateral		
Reverse Repo	-	2.819.685
Repo - transactions of collateral allowed	75.240.753	84.430.172
Repo - transactions of collateral not allowed	183.707.098	106.144.444

The variation occurred in the period took place, mainly, from the net redemption of debt securities held by the market, including payment of interest and, secondly, foreign exchange operations made by Bank and the National Treasury,

7 - DEBT SECURITIES

7.1. Securities denominated in foreign currencies

	Jun 30, 2008	Dec 31, 2007
Uncommited securities	**285.343.545**	**274.824.721**
1 month	1.547.306	5.424.080
1 - 6 months	1.341.980	8.703.574
6 - 12 months	4.484.876	6.200.991
1 - 5 years	231.830.011	210.540.422
more than 5 years	46.139.372	43.955.654
Securities linked to repurchase agreements	**26.763.756**	**27.473.009**
1 - 5 years	20.961.681	21.254.867
more than 5 years	5.802.075	6.218.142
Securities granted as collateral	**28.589**	**25.027**
1 - 5 years	28.589	25.027
Securities sold to be delivered	**974.629**	**-**
more than 5 years	974.629	-
TOTAL	**313.110.519**	**302.322.757**

These securities are fixed rate debt securities, issued by national treasury or governmental agencies. The portfolio is part of Brazil's international reserves for which the objectives are (i) to diversify investments and risks, (ii) to enhance profitability and (iii) to maintain different levels of liquidity. These securities are classified in the "At Fair Value through profit and Loss" category. The table below shows the cost and the carrying amount of these assets, after the mark-to-market adjustments:

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

	Jun 30, 2008	Dec 31, 2007
Cost	307.890.643	293.559.862
Mark-to-market adjus	5.219.876	8.762.895
Carrying amount	313.110.519	302.322.757

The variation in the period is due to the increase in the International Reserves, as a result of the purchase of foreign currencies in the domestic market and of the incorporation of the part of the deposits portfolio (Note 5).

7.2. Federal government debt securities

Jun 30, 2008

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommited Securities	**26.766.521**	**760.183**	**8.383.622**	**71.999.537**	**52.127.159**	**160.037.022**
LTN	26.766.521	760.183	8.383.622	17.106.956	-	53.017.282
LFT	-	-	-	1.261.728	10.978.147	12.239.875
NTN-B	-	-	-	19.635.717	28.589.286	48.225.003
NTN-F	-	-	-	33.995.136	12.559.726	46.554.862
Securities linked to Repurchase Agreements	**-**	**15.910.694**	**42.566.517**	**159.366.946**	**41.103.901**	**258.948.058**
LTN	-	15.021.224	31.774.490	48.591.638	-	95.387.352
LFT	-	-	2.959.343	75.212.028	26.805.074	104.976.445
NTN-B	-	889.470	7.832.684	29.504.838	11.621.761	49.848.753
NTN-F	-	-	-	6.058.442	2.677.066	8.735.508
Securities granted as collateral	**-**	**-**	**-**	**-**	**4.477.966**	**4.477.966**
LFT	-	-	-	-	4.477.966	4.477.966
NTN-D	-	-	-	-	-	-
Untradable securities	**-**	**-**	**-**	**7.752**	**166**	**7.918**
NTN-P	-	-	-	7.752	166	7.918
TOTAL	**26.766.521**	**16.670.877**	**50.950.139**	**231.374.235**	**97.709.192**	**423.470.964**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 11

Em 31.12.2007

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommited Securities	**35.277.876**	**1.778.255**	**6.946.478**	**72.145.626**	**47.972.106**	**164.120.341**
LTN	32.972.425	1.778.255	6.085.873	20.329.776	-	61.166.329
LFT	-	-	-	1.654.262	1.704.681	3.358.943
NTN-B	-	-	860.605	25.013.333	29.756.733	55.630.671
NTN-F	2.305.451	-	-	25.148.255	16.510.692	43.964.398
Securities linked to Repurchase Agreements	**-**	**14.288.532**	**30.603.564**	**141.526.862**	**4.155.658**	**190.574.616**
LTN	-	14.288.532	30.603.564	52.153.238	-	97.045.334
LFT	-	-	-	73.657.949	-	73.657.949
NTN-B	-	-	-	13.346.465	2.515.315	15.861.780
NTN-F	-	-	-	2.369.210	1.640.343	4.009.553
Securities granted as collateral	**-**	**2.692.091**	**-**	**-**	**1.940.653**	**4.632.744**
LFT	-	-	-	-	1.940.653	1.940.653
NTN-D	-	2.692.091	-	-	-	2.692.091
Untradable securities	**-**	**-**	**-**	**7.500**	**161**	**7.661**
NTN-P	-	-	-	7.500	161	7.661
TOTAL	**35.277.876**	**18.758.878**	**37.550.042**	**213.679.988**	**54.068.578**	**359.335.362**

The Bank attempts to manage its securities portfolio so as to have adequate instruments for the implementation of monetary policy, i.e. transactions of 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 it portfolio through public offerings of the National Treasury. These operations are always made by average price paid by the other players of the market.

During the period, there were two relevant facts:

a) The portfolio of debt securities issued by the Federal Government, previously classified in category available-for-sale, was partially reclassified to category held-to-maturity, due to the characteristics of the management of this portfolio, which only operates in the form of repurchase agreements, which is not characterized as an effective sale and thus is better classified at the category held-to-maturity. Thus, only the National Treasury Bills - LTN were kept in the category Available-for-sale.

The amount registered in equity as adjustments at fair value through profit or loss for the reclassified securities will be reclassified to the income statement accordingly to the internal rate of return and the maturity of the securities reclassified.

b) In order to ensure the maintenance of the Bank portfolio of debt securities in an appropriate size to carry out the monetary policy, the Provisional Measure 435, of June 27, 2008, was released allowing the Federal Government to issue securities directly to Bacen, whenever it is required. On June 30, 2008 the first issue authorized by this legislation was released, consisting of 3,000,000 of National Financial Treasury Bills valued at R$10,496,072, which were classified in category held-to-maturity.

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

	Jun 30, 2008			Dec 31, 2007		
	Cost	Mark-to-market adjustments	Carrying Amount	Cost	Mark-to-market adjustments	Carrying Amount
Available-for-sale	**150.677.742**	**(2.273.108)**	**148.404.634**	**358.127.574**	**1.200.127**	**359.327.701**
LTN	150.677.742	(2.273.108)	148.404.634	158.255.044	(43.381)	158.211.663
LFT	-	-	-	78.884.696	72.849	78.957.545
NTN-B	-	-	-	69.052.180	2.440.271	71.492.451
NTN-D	-	-	-	2.719.793	(27.702)	2.692.091
NTN-F	-	-	-	49.215.861	(1.241.910)	47.973.951
Held-to-maturity	**275.066.330**	**-**	**275.066.330**	**7.661**	**-**	**7.661**
LFT	121.694.286	-	121.694.286	-	-	-
NTN-B	98.073.756	-	98.073.756	-	-	-
NTN-F	55.290.370	-	55.290.370	-	-	-
NTN-P	7.918	-	7.918	7.661	-	7.661

The variation observed is the result of the interest on the period and the placement of securities made by the National Treasury originated from the coverage of the negative result of the Bank, in the second half year of 2006 and the first half year of 2007 (Note 17), and the debt securities issues authorized by the Provisional Measure 435.

8 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

	Assets	
	Jun 30, 2008	Dec 31, 2007
Result to be covered by the National Treasury	-	17.346.831
Result from exchange rate equalization operation	44.798.256	
Other	1.345	3.856
Total	**44.799.601**	**17.350.687**

	Liabilities	
	Jun 30, 2008	Dec 31, 2007
National Treasury Operating Account	289.114.431	275.843.164
Other	3.682.543	490.455
Total	**292.796.974**	**276.333.619**

In light of constitutional and legal provisions, the Bank has financial relationship with the National Treasury, which is further detailed in note 16.1.

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

9 - CREDITS RECEIVABLE

Jun 30, 2008

	Cost	Mark-to-market adjustment	Carrying amount
At Fair Value through profit and loss - Designated by management	**51.197.689**	**(27.123.046)**	**24.074.643**
Banco Nacional - Under extrajudicial liquidation	24.565.209	(10.967.948)	13.597.261
Banco Econômico - Under extrajudicial liquidation	21.359.372	(12.379.107)	8.980.265
Banco Mercantil - Under extrajudicial liquidation	1.739.220	(242.103)	1.497.117
Banco Banorte - Under extrajudicial liquidation	706.233	(706.233)	-
Banco Bamerindus - Under extrajudicial liquidation	2.827.655	(2.827.655)	-
Loans and Receivables	**39.511**	**-**	**39.511**
Centrus	11.544	-	11.544
Other	27.967	-	27.967
Total	**51.237.200**	**(27.123.046)**	**24.114.154**

Dec 31, 2007

	Cost	Mark-to-market adjustment	Carrying amount
At Fair Value through profit and loss - Designated by management	**49.198.138**	**(25.429.047)**	**23.769.091**
Banco Nacional - Under extrajudicial liquidation	24.031.674	(10.968.529)	13.063.145
Banco Econômico - Under extrajudicial liquidation	19.915.709	(10.735.778)	9.179.931
Banco Mercantil - Under extrajudicial liquidation	1.744.436	(218.421)	1.526.015
Banco Banorte - Under extrajudicial liquidation	691.288	(691.288)	-
Banco Bamerindus - Under extrajudicial liquidation	2.815.031	(2.815.031)	-
Loans and Receivables	**34.154**	**-**	**34.154**
Centrus	10.406	-	10.406
Other	23.748	-	23.748
Total	**49.232.292**	**(25.429.047)**	**23.803.245**

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 26 of the Bankruptcy Law, in which the portion of the receivables balances attributable to the PROER loans are updated by the contractual rates up to limits of the collateral on the loans; and the remaining balances by the Referential Rate (TR). Once the contractual rates arise from the collateral on the original credits, the evaluation of these rates were updated in order to reflect the exact composition of these indexers.

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

– Suspension of the previously stated periods for the settlement of the obligations;

– That the payment of the liabilities shall be made in accordance with the order of preference established by law; as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages, secured creditors, tax liabilities and unsecured creditors;

– The establishment of a general table of creditors in order to identity all of the creditors of the Institution, the effective values of their credits and their position in the order of preference to receive payments for these credits;

– The procedures necessary to realize the assets of the institution; for example, consisting of the form of sale (i.e. direct sale or auction, individual assets or groups of assets)

The amortizations since the legal dates of the respective extrajudicial liquidations were allocated against the receivables originated from the financial assistance provided to the institutions in the form of PROER loans. It is important to note that these amounts are subject to alteration due to the fact that the option legally granted to the debtors, allowing them to, in the existence of more than a single debt balance with different characteristics, opt to have the amortization recorded against the debt balance that is most convenient in the circumstances, was not observed. However, the amount recorded represents the best possible estimate at the time of the evaluation.

In view of these characteristics, the timing of the realization of these assets cannot be precisely forecasted, although it is important to note that a majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees.

b) 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 to conclude the processes in the least possible amount of time and with the least amount of costs to the monetary authority and depositors and investors.

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

10 - CURRENCY IN CIRCULATION

The negative variation observed on this item is due to the increased demand for currency in the end of the year, which is a common seasonal happening and is associated with the payment of the thirteenth salary and with the holidays. Similarly, the reverse movement is natural in the months following, as the demand for currency incorporates its normal development.

11 - EQUITY

11.1. Capital

The item Capital, formerly named Retained Earnings, consists of the following items:

a) Initial capital, amounting of R$ 14,526, is the capital transferred to the Bank at the moment of its constitution;

b) Retained earnings by the Bank up to 1987, and incorporated to its capital, amounting of R$ 2,561,830;

c) Capital increase from the National Treasury with securities issued by the Brazilian Federal Government aiming to rebuild the securities portfolio valued at R$ 10.496.072 (Note 7.2).

11.2. Gains (Losses) Recognized Directly in Equity

These refer to the mark-to-market adjustment of financial assets classified as available-for-sale. The change in this item is due to the increase in the market interest rates and, hence, the reduction in the value of the securities.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 15

	1st sem/2008	2nd sem/2007
Debt Securities issued by the Federal Government		
Opening balance	1.200.128	12.632.644
Mark-to-market adjustments	(424.883)	(11.432.516)
Write-off	(83.216)	-
Closing Balance	692.029	1.200.128
Gold		
Opening balance	1.304.256	942.532
Mark-to-market adjustments	179.947	361.724
Closing Balance	1.484.203	1.304.256
Investments in International Financial Oraganizations		
Opening balance	(5.357.128)	(4.979.541)
Mark-to-market adjustments	(598.192)	(377.587)
Closing Balance	(5.955.320)	(5.357.128)
Actuarial gains (losses)		
Opening balance	(801.988)	-
Changes	-	(801.988)
Closing Balance	(801.988)	(801.988)
TOTAL	**(4.581.076)**	**(3.654.732)**

12 - NET INTEREST INCOME

	1st sem/2008	1st sem/2007
Foreign Currencies Operations		
Interest income	**586.440**	**1.071.440**
Cash and Cash Equivalents	70.966	208.607
Deposits	218.806	755.974
Commitment under agreements	289.200	102.351
Other	7.468	4.508
Interest expenses	**(348.621)**	**(146.313)**
Commitment under agreements	(253.359)	(89.970)
Loans	(15.215)	(30.514)
Other	(80.047)	(25.829)
Net income	**237.819**	**925.127**
Local Currency Operations		
Interest income	**23.150.402**	**19.934.821**
Securities operations	21.612.091	19.663.865
Other	1.538.311	270.956
Interest expenses	**(33.112.052)**	**(25.952.313)**
Deposits Received from Financial Institutions	(4.675.865)	(4.166.126)
Commitment under agreements	(13.141.497)	(8.140.122)
Federal Government	(14.565.158)	(13.419.022)
Other	(729.532)	(227.043)
Net income	**(9.961.650)**	**(6.017.492)**
Total interest income	**23.736.842**	**21.006.261**
Total interest expenses	**(33.460.673)**	**(26.098.626)**
Total interest income (loss)	**(9.723.831)**	**(5.092.365)**

(Unless otherwise stated, amounts are expressed in thousands of Reais) 16

The following clarifications refer to the significant variations occurred:

a) Net interest income in foreign currencies operations – the decrease is a result of the reduction in the amount placed in time deposits;

b) Net interest income in local currency operations – the increase is mostly a result of the rise in commitment under agreements (Note 6).

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

	1st sem/2008	1st sem/2007
Foreign Currencies Operations	**(26.370.418)**	**(17.445.484)**
Debt securities	(25.851.249)	(17.526.317)
Derivatives	(519.169)	80.833
Local Currency Operations	**39.580.163**	**(4.475.353)**
Derivatives	39.580.153	(4.475.358)
Other	10	5

The following clarifications refer to the significant variations occurred in:

a) Debt securities in foreign currencies –as a result of the increase in the securities portfolio (Note 7.1);

b) Derivatives in local currency – as a result of the Swap operations in the local market and the establishment of the exchange rate equalization operation (Note 16.1).

14 - GAINS (LOSSES) FROM FOREIGN EXCHANGE/GAINS (LOSSES) FROM FOREIGN CURRENCY-LINKED OPERATIONS

	1st sem/2008	1st sem/2007
Foreign Currencies Operations	**(253.499)**	**(3.007.214)**
Time Deposits	(447.356)	(3.017.258)
Cash and Cash Equivalents	(569.842)	(1.451.923)
Liabilities from International Financial Organizations	606.663	922.531
Other	157.036	539.436
Local Currency Operations	**(32.582)**	**(1.311.140)**
Debt securities issued by the Federal Government	(39.523)	(1.316.381)
Other	6.941	5.241

The variation observed is a result of the reduction in time deposits in foreign currencies (Note 5) and liquidation of Debt Securities issued by the Federal Government linked to foreign currencies (Note 7.2).

15 - NET INCOME

The result was positive in the period by R$3,172,740 (negative by R$30,304,910 in the same period of 2007) due, basically, to the result of interest of operations in local currency, since the results of the maintenance of international reserves and the swaps were compensated by the operation of foreign exchange equalization done with the National Treasury (Note 16.1). In the 1st semester of 2007, the result of Bacen, excluding the exchange rate effects and the swaps, would be negative by R$1,085,011.

Under the legislation, the result of the 1st half of 2008 will be transferred to the National Treasury until the 10th business day subsequent to the approval of these financial statements (Note 17).

16 - RELATED PARTIES

16.1. The Brazilian Federal Government

Through the Provisional Measure 435, of June 26, 2008, the operation of foreign exchange equalization was accomplished with the goal of giving greater transparency to the results of operations of the monetary authority and reduce the volatility of the Banks result, generated by the growing unbalance between assets and liabilities. This volatility affects the analysis of the Banks result of monetary policy operations, which is the main purpose of the institution, by the national and international economic agents.

(Unless otherwise stated, amounts are expressed in thousands of Reais) 17

This operation transfers to the Federal Government the cost of maintaining the international reserve and the result of exchange rate swap transactions made in the domestic market. These amounts are calculated daily, and the balance payable or receivable is reckoned on the last business day of the semester. This amount will be settled under the same rules established for the transfer or coverage of the bank result (Note 17). In view of its operational characteristics, the operation is registered as a derivative transaction (Note 13).

Under the Brazilian legal system a Provisional Measure has the same prerogative of law, that is, its outcome become effective from the date of its publication. Its term is 60 days, extendable for an equal period. If the National Congress rejects the Provisional Measure or is not able to vote the matter on time, the Congress is supposed to edit legislative decree to regulate the situation already consolidated by the effects of the Provisional Measure. If Congress fails to do so within 60 days, the legal relationship established and arising from acts performed during its lifetime will remain governed by the Provisional Measure.

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

	1st sem/2008	2nd sem/2007
National Treasury Operating Account		
Opening balance	275.843.164	281.511.897
(+) remuneration	14.544.922	14.556.318
(+/-) depósitos/redemptions	(1.273.655)	(20.225.051)
Closing balance	289.114.431	275.843.164
Federal Government Debt Securities		
Opening balance	359.335.362	323.658.940
(+/-) net issue/redemption	43.071.132	28.036.280
(+) remuneration	21.489.353	19.072.655
(+/-) mark-to-market adjustments	(424.883)	(11.432.513)
Closing balance	423.470.964	359.335.362
Result to be covered by the National Treasury		
Opening balance	17.346.831	31.673.581
(+) remuneration	903.722	1.229.732
(-) payments	(18.250.553)	(32.903.313)
(+) negative result to be covered	-	17.346.831
Closing balance	-	17.346.831
Result to be transferred by the National Treasury		
Opening balance	-	-
(+) remuneration	-	-
(-) transfers	3.175.883	-
Closing balance	3.175.883	-
Exchange Rate Equalization		
Opening balance	-	-
(+) adjustments	44.798.256	-
(+/-) transfers	(44.798.256)	-
Closing balance	-	-
Credits Receivables from the result of the exchange rate equalization operation		-
Opening balance	-	-
(+) remuneration	-	-
(+/-) transfers	44.798.256	-
Closing balance	44.798.256	-
Transfers under Budget Law	383.231	294.365

16.2. 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:

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	1st sem/2008	2nd sem/2007
Resources managed by Centrus		
Opening balance	1.784.227	1.520.419
(+/-) actuarial gains/losses	-	328.489
(-) amounts received	(233.642)	(275.069)
(+) interest	121.483	210.388
Closing balance	1.672.068	1.784.227
Actuarial Surplus		
Opening balance	3.093.868	2.160.140
(+/-) actuarial gains/losses	-	596.956
(+) contributions	6.419	7.323
(+) interest	301.958	329.449
Closing balance	3.402.245	3.093.868
Mathematical reserves to be paid-up		
Opening balance	-	1.141.740
(+) partial refund	-	459
(+) interest	-	79.076
(-) write-off	-	(1.220.816)
(-) amount received	-	(459)
Closing balance	-	-
Payment of management fee	-	12.735

17 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

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

This provision was partially amended by the Fiscal Responsibility Law:

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

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$5,225,438 in the first quarter, and a deficit of R$2,052,698 in the fourth quarter, totaling a positive result of R$3,172,740 for the first half of the year. After realization of revaluation reserves, this result will be transferred to the National Treasury not later than the tenth business day following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the interested committees of the National Congress (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

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Law, Article 7, Paragraph 3:

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$7,148,146 in the first quarter of 2008 and to R$7,417,012 in the second quarter of 2008 (R$14,565,158 for the semester).

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

The cost of maintaining the foreign exchange reserves is calculated as the difference between the yield on the international reserves, including the exchange rate variation, and the average cost of the Bank's liabilities The cost of maintaining foreign exchange reserves used to be calculated by the average daily balances. Since the Provisional Measure 435 was released, following its legal instruction, it has been calculated daily, instead of using the average balances. This change of methodology generated a change in the figures published in 1st quarter, for which reason a new disclosure of the figures for that period is presented.

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance (R$ '000)	Profitability (%)	(%)	(%)	(R$ mil)
1st Quarter	328.770.077	3,34	(2,03)	1,31	4.296.504
2nd Quarter	326.530.733	(11,50)	(1,94)	(13,44)	(43.876.657)
1st Semester					**(39.580.153)**

In the 1st quarter, the international reserves have had positive returns of 3.34%, already considering the variation in the exchange rate of the Real in relation to the other currencies in the period. The net result, excluding cost of funding, was positive 1.31% (R$4,296,504). On the other hand, in the 2nd quarter, the profitability of the reserves reached -11.50% totaling -13.44% (R$ 43,876,657) when the cost of funding is excluded.

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

Debt securities issued by the Federal Government	Income	Expenses	Result
1st quarter/2008	10.418.980	(39.523)	**10.379.457**
2nd quarter/2008	11.193.111	-	**11.193.111**
Total in the Semester	**21.612.091**	**(39.523)**	**21.572.568**

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Alexandre Antonio Tombini
Alvir Alberto Hoffmann
Anthero de Moraes Meirelles
Antonio Gustavo Matos do Vale
Maria Celina Berardinelli Arraes
Mario Gomes Torós
Mario Magalhães Carvalho Mesquita.

Head of the Accounting and Financial Department

Jefferson Moreira – Accountant – CRC-DF 7,333

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, 2008, and the related condensed interim income statement, changes in equity and cash flow statement 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 auditing standards for review engagements 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 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, 2008, referred to in paragraph 1, are not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting*.

4. As per Note 16.1, on June 26, 2008, an operation of foreign exchange equalization was contracted, whose main objective is to reduce the volatility of the Bank’s result, generated by the growing unbalance between assets and liabilities. The operation has as counterpart the Federal Government and is grounded on Provisional Measure 435/08. Taking into consideration the characteristics of the legislative proceeding described in this note, the operation of foreign exchange equalization is effective as from the date of the publication of the Provisional Measure, which presents the effects of law; however, there is uncertainty with respect to the possible effects in case of a possible non-approval of such legal provision.

5. 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 17 is not required information in accordance with the Bank's accounting framework (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.

6. Our report on condensed interim financial statements for the six-month period ended June 30, 2007, dated August 29, 2007, contained qualifications with respecto to: (i) the calculation of the fair value of the credits of the institutions under liquidation, for the occurrence of the offsetting the excess of credit guarantees arising from PROER with credits deriving from bank reserves, thus generating an overvaluation in the estimate of the fair value of the credits receivable in the amount of R$ 839,930 thousand, and (ii) the existence of significant amount of inconsistent information, which made us unable to evaluate the adequacy of the provision for legal claims, whose balance as of June 30, 2007 was R$1,299,222 thousand; and an emphasis with respect to the disclosure of supplementary information not required by the Bank's accounting framework (IFRS). The exceptions aforementioned which resulted in the qualifications included in the condensed interim financial statements for the six-month period ended June 30, 2007 were regularized during the year ended December 31, 2007.

August 28, 2008

KPMG

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