

BANCO CENTRAL DO BRASIL
BALANCE SHEET (As at March 31, 2007)
In Thousands of Reais

A T I V O		P A S S I V O	
ASSETS IN FOREIGN CURRENCIES	<u>246,804,906</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>20,391,603</u>
Cash and Cash equivalents	9,679,609	Items in the Course of Collection	4,278,148
Time Deposits placed with Financial Institutions	20,537,005	Deposits Received from Financial Institutions	553
Financial Assets Purchased Under Agreements to Resell	5,160,126	Financial Assets Sold Under Agreements to Repurchase	5,160,016
Derivatives	9,499	Derivatives	11,253
Debt Securities	200,352,284	Loans Payable	1,285,936
Credits Receivable	97,038	Deposits Received from International Financial Organizations	9,590,570
Gold	1,465,431	Other	65,127
Investments in International Financial Organizations	9,476,452	LIABILITIES IN LOCAL CURRENCY	<u>487,256,912</u>
Other	27,462	Items in the Course of Collection	700,406
ASSETS IN LOCAL CURRENCY	<u>340,155,122</u>	Deposits Received from Financial Institutions	118,097,402
Deposits	627,242	Financial Assets Sold Under Agreements to Repurchase	126,018,583
Financial Assets Purchased Under Agreements to Resell	611,998	Derivatives	1,907
Derivatives	148,444	Payables to the Federal Government	239,056,883
Debt Securities Issued by the Federal Government	313,828,443	Accounts Payable	1,689,801
Receivables from the Federal Government	663,827	Deposits Received from International Financial Organizations	27,989
Credits Receivable	23,420,982	Provisions	1,618,345
Property, Plant and Equipment	778,598	Other	45,596
Other	75,588	CURRENCY IN CIRCULATION	<u>74,489,218</u>
		NET EQUITY	<u>14,732,662</u>
		Income Reserve	4,662,369
		Revaluation Reserve	485,564
		Gains (Losses) Recognized Directly in Equity	5,102,356
		Changes in Accounting Policies - Process of Adopting IFRSs	1,906,017
		Retained Earnings	2,576,356
		INCOME ACCOUNTS	<u>(9,910,367)</u>
		Creditor	16,826,278
		(Debtor)	(26,736,645)
TOTAL	<u>586,960,028</u>	TOTAL	<u>586,960,028</u>

INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2007
In Thousands of Reais

FOREIGN CURRENCIES OPERATIONS	<u>(5,442,653)</u>
Interest income	2,457,049
Interest expenses	(95,772)
(=) Net interest income	2,361,277
Gains (losses) on financial assets classified as "At fair value through profit or loss"	404,486
Gains (losses) from foreign exchange	(8,208,416)
LOCAL CURRENCY OPERATIONS	<u>(3,825,733)</u>
Interest income	10,743,961
Interest expenses	(12,419,425)
(=) Net interest income	(1,675,464)
Gains (losses) on financial assets classified as "At fair value through profit or loss"	(1,591,114)
Gains (losses) from foreign currency-linked operations	(559,155)
OTHER INCOME	351,430
OTHER EXPENSES	(993,411)
NET INCOME (LOSS)	<u>(9,910,367)</u>

Supplementary information Not Required by IFRSs

Net income (loss)	(9,910,367)
Net result from exchange rate variations and swaps	(10,233,423)
Net income (loss) excluding the result from exchange rate variations and swaps	323,056

The Explanatory Note is an integral part of the Financial Statements



BANCO CENTRAL DO BRASIL

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – March 31st, 2007

(In thousand of Reais)

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 National Monetary Council.

Therefore:

- I. The result of the Bank is comprised of revenues and expenses related to all of its operations;
- II. Positive results are transferred as revenues to the National Treasury, and negative results are covered as expenses of the National Treasury;
- III. Such results are included in the Fiscal Budget of the National Treasury account.

The Bank experienced a deficit of R\$9,910,367 in the first quarter of 2007 and that, with the result of the second quarter, will compose the result of the first half-year to be transferred to or covered by the National Treasury. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the interested committees of the National Congress, an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies; and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

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

The cost corresponding to the remuneration of the National Treasury deposits amounted to R\$6,399,511 in the first quarter of 2007.

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

The cost of maintaining the foreign exchange reserves is calculated as the difference between the yield on the international reserves and the average rate of the Bank's liabilities.



BANCO CENTRAL DO BRASIL

	International Reserves		Cost of Funding (%)	Cost of Maintaining International Reserves	
	Average Balance	Profitability		(%)	(R\$ '000)
	(R\$ '000)	(%)		(%)	(R\$ '000)
1st Quarter of 2007	203,930,558	(2.63)	2.02	(4.65)	(9,482,771)

In the first quarter, with an average daily balance of R\$203,930,558, the international reserves yielded a negative result of 2.63%, considering the valuation of the Real against the main foreign currencies. The exclusion of the average cost of funding of the Bank's liabilities (2.02%), resulted in a net negative result of 4.65% (R\$9,482,771) on the international reserves.

d) Profitability of the securities portfolio, with emphasis on the securities issued by the National Treasury - Fiscal Responsibility Law, Article 7, Paragraph 3:

Federal Government Debt Securities			
	Income	Expenses	Result
1st Quarter of 2007	10,083,538	(561,579)	9,521,959

In the first quarter, these results can be explained by the interest earnings and the exchange rate variation.

Governor of the Banco Central do Brasil

Henrique de Campos Meirelles

Board of Directors

Alexandre Antonio Tombini
Antonio Gustavo Matos do Vale
Mário Magalhães Carvalho Mesquita
Paulo Sérgio Cavalheiro
Paulo Vieira da Cunha
Rodrigo Telles da Rocha Azevedo

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