

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

ASSETS		LIABILITIES	
ASSETS IN FOREIGN CURRENCIES	<u>335.794.916</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>35.741.463</u>
Cash and Cash Equivalents	7.397.198	Items in the Course of Collection	2.612.921
Time Deposits Placed with Financial Institutions	14.329.772	Deposits Received from Financial Institutions	496
Financial Assets Purchased Under Agreements to Resell	23.218.499	Financial Assets Sold Under Agreements to Repurchase	23.217.634
Derivatives	21.047	Derivatives	30.731
Debt Securities	280.448.830	Loans Payable	1.057.934
Credits Receivables	75.333	Deposits Received from International Financial Organizations	8.820.569
Gold	1.544.024	Other	1.178
Investments in International Financial Organizations	8.760.213	LIABILITIES IN LOCAL CURRENCY	<u>601.758.949</u>
ASSETS IN LOCAL CURRENCY	<u>382.514.421</u>	Deposits Received from Financial Institutions	131.387.215
Deposits	596.740	Financial Assets Sold Under Agreements to Repurchase	196.836.047
Derivatives	1.446	Derivatives	189.566
Debt Securities Issued by the Federal Government	323.761.669	Payables to the Federal Government	263.930.958
Receivables from the Federal Government	32.600.195	Accounts Payable	2.386.114
Credits Receivable	22.556.384	Deposits Received from International Financial Organizations	28.252
Property, Plant and Equipment	795.725	Provisions	6.977.414
Other	2.202.262	Other	23.383
		CURRENCY IN CIRCULATION	<u>83.963.314</u>
		NET EQUITY	<u>7.752.131</u>
		Income Reserve	1.606.019
		Revaluation Reserve	482.153
		Gains (Losses) Recognized Directly in Equity	3.087.603
		Retained Earnings	2.576.356
		INCOME ACCOUNTS	<u>(10.906.520)</u>
		Creditor	41.546.502
		(Debtor)	(52.453.022)
TOTAL	<u>718.309.337</u>	TOTAL	<u>718.309.337</u>

INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2007**In Thousands of Reais**

FOREIGN CURRENCIES OPERATIONS	(2.707.384)
Interest income	3.862.343
Interest expenses	(164.063)
(=) Net interest income	3.698.280
Gains (losses) on financial assets classified as "At fair value through profit or loss"	5.741.369
Gains (losses) from foreign exchange	(12.147.033)
LOCAL CURRENCY OPERATIONS	(7.714.768)
Interest income	11.379.279
Interest expenses	(15.552.250)
(=) Net interest income	(4.172.971)
Gains (losses) on financial assets classified as "At fair value through profit or loss"	(3.213.383)
Gains (losses) from foreign currency-linked operations	(328.414)
OTHER INCOME	198.026
OTHER EXPENSES	(682.394)
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	(10.906.520)

Supplementary Information Not Required by IFRSs

Net income (Loss) recognized in accordance with IFRSs	(10.906.520)
Net result from exchange rate variations and swaps	(14.934.447)
Net income (loss) excluding the result from exchange rate variations and swaps	4.027.927



BANCO CENTRAL DO BRASIL

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – September 30th, 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 – CMN.

Therefore:

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

The Bank experienced a deficit of R\$10,906,520 in the third quarter of 2007 and that, with the result of the fourth quarter, will compose the result of the second half-year of 2007 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\$7,097,731 in the third 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\$ mil)
	(R\$ '000)	(%)		(%)	(R\$ mil)
3rd quarter of 2007	302.062.822	(0,90)	1,92	(2,82)	(8.518.172)

In the third quarter, with an average daily balance of R\$302,062,822, the international reserves yielded a negative result of 0.90%, considering the valuation of the Real against the Dollar. The exclusion of the average cost of funding of the Bank's liabilities (1.92%), resulted in a net negative result of 2.82% (R\$8,518,172) on the international reserves.

d) Profitability of the securities portfólio – Fiscal Responsibility Law, Article 7, Paragraph 3:

	Income	Expenses	Result
3rd quarter of 2007	9,899,673	(587,690)	9,311,983

In the third 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
Mario Gomes Torós
Paulo Sérgio Cavalheiro
Paulo Vieira da Cunha

Head of the Accounting and Financial Department:

Jefferson Moreira – Accountant – CRC-DF 7,333