

BANCO CENTRAL DO BRASIL
BALANCE SHEET - AS OF MARCH 31, 2005
(In thousands of Reais)

| ASSETS | | LIABILITIES | |
|---|---------------------------|---|---------------------------|
| ASSETS IN FOREIGN CURRENCIES | <u>205,038,710</u> | LIABILITIES IN FOREIGN CURRENCIES | <u>104,633,788</u> |
| Cash | 927,566 | Items in the Course of Collection | 9,264,384 |
| Commitments under Agreements to Resell Assets | 17,064,681 | Commitments under Agreements to Repurchase Assets | 17,179,952 |
| Time Deposits with Financial Institutions | 96,378,886 | Loans Payable | 64,834,619 |
| Gold | 1,235,138 | Deposits | 13,268,872 |
| Debt Securities | 77,024,889 | Other | 85,961 |
| Receivables | 77,943 | LIABILITIES IN LOCAL CURRENCIES | <u>385,581,792</u> |
| Investments in International Financial Agencies | 12,328,319 | Deposits of Financial Institutions | 92,030,747 |
| Other | 1,288 | Items in the Course of Collection | 18,063,102 |
| ASSETS IN LOCAL CURRENCIES | <u>346,615,448</u> | Commitments under Agreements to Repurchase Assets | 64,403,613 |
| Commitments under Agreements to Resell Assets | 6,597,720 | Payables to Government | 192,885,303 |
| Derivatives | 181,893 | Derivatives | 51,798 |
| Federal Government Debt Securities | 316,615,040 | Own Issue Debt Securities | 13,926,331 |
| Receivables from Government | 2,071,777 | Actuarial Liabilities | 1,046,234 |
| Receivables | 20,277,889 | Provisions | 2,467,440 |
| Premises and equipment | 762,338 | Other Liabilities in Local Currencies | 707,224 |
| Other | 108,791 | CURRENCY IN CIRCULATION | <u>53,295,041</u> |
| | | NET EQUITY | <u>8,445,294</u> |
| | | Retained Earnings | 2,576,356 |
| | | Income Reserve | 4,327,548 |
| | | Revaluation Reserve | 498,134 |
| | | Amounts not taken to Profit and Loss | 1,043,256 |
| | | INCOME ACCOUNTS | <u>(301,757)</u> |
| | | Creditor | 109,242,560 |
| | | (Debtor) | (109,544,317) |
| TOTAL | <u>551,654,158</u> | TOTAL | <u>551,654,158</u> |

(In thousands of Reais)

INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2005

| | |
|--|---------------------------|
| FOREIGN CURRENCY OPERATIONS | <u>(1,409,158)</u> |
| Interest Income | 1,045,893 |
| Interest Expenses | (1,123,236) |
| (=) Net Interest Income | (77,343) |
| Gains and Losses with Assets Held-for-trading | (564,456) |
| Gains and Losses with Assets Held as Investment | (29,323) |
| Gains and Losses with Foreign Currencies Operations | (738,036) |
| LOCAL CURRENCY OPERATIONS | <u>904,677</u> |
| Interest Income | 11,772,752 |
| Interest Expenses | (11,748,018) |
| (=) Net Interest Income | 24,734 |
| Gains and Losses with Assets Held-for-trading | 880,523 |
| Gains and Losses with Assets Held as Investment | (275,159) |
| Gains and Losses with Foreign-Currency-linked Operations | 274,579 |
| NET ALLOWANCES | 236,411 |
| OTHER INCOME | 425,655 |
| OTHER EXPENSES | (459,342) |
| NET INCOME | <u>(301,757)</u> |

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS - March 31st, 2005
(In thousand of Reais)

Fiscal Responsibility Law – Mandatory Information

a. Impact and fiscal cost of the operations - Fiscal Responsibility Law, Article 7, Paragraph 2

The sole paragraph of Article 8 of Law 4,595/64, as amended by Decree-Law 2,376/87, stipulates that “results obtained by Banco Central do Brasil (the Bank), considering the revenues and expenses of all its operations, will 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 changed 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 will 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, this negative result will be paid not later than the tenth business day of the fiscal year subsequent to the year of approval of the balance sheet by the National Monetary Council.

Therefore:

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

II - Positive results are transferred as revenues and negative results are charged to the National Treasury as expenses incurred by the entity;

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

The Bank experienced a deficit of R\$301,757 in the first quarter of 2005 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 half-year closing, the Bank will submit, at a joint meeting of the pertinent thematic commissions of the National Congress an evaluation on the fulfilment of objectives and targets of the monetary, credit and foreign exchange policies, evidencing the result shown in the balance sheets and the impact and the fiscal cost of its operations.

b. Cost of remunerating the National Treasury deposits at the Bank - Fiscal Responsibility Law, Article 7, Paragraph 3

The cost corresponding to the remuneration of the National Treasury deposits amounted to R\$6,401,770 in the first quarter of 2005.

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

The cost of maintaining foreign exchange reserves is calculated as being the difference between the yield of the reserves and the average rate of obtaining such reserves, calculated considering the Bank's liabilities.

| | Foreign reserves | | Average Cost of Liabilities (%) | Cost of maintaining the Foreign reserves | |
|-------------|---------------------------------|-------------------|---------------------------------|--|-----------------|
| | Average Balance (R\$ thousands) | Profitability (%) | | (%) | (R\$ thousands) |
| 1st Quarter | 153,591,644 | (1.2) | 2.3 | (3.5) | (5,333,931) |

In the first quarter of 2005, with an average daily balance of R\$153,591,644, the foreign reserves recorded a negative yield of 1.2%, already considering the negative exchange rate variation of the Euro and the SDR in the period. The exclusion of the average cost of liabilities of 2.3% turns the net result of reserves into a negative result of 3.5% (R\$5,333,931).

d. The profitability of the securities portfolio, especially the securities issued by the National Treasury - Fiscal Responsibility Law, Article 7, Paragraph 3

| Items | 1 st Quarter/2005 |
|------------------------------------|------------------------------|
| Income | 12,858,265 |
| Federal Government Debt Securities | 12,553,009 |
| Own Issue Debt Securities | 305,256 |
| Expenses | (1,854,828) |
| Federal Government Debt Securities | (1,075,740) |
| Own Issue Debt Securities | (779,088) |
| Net Result | 11,003,437 |

With respect to the result obtained in the 1st quarter of 2005, it is mostly explained by the following contributing factors:

I - Federal Government Debt Securities – the positive result arising from transactions with those securities amounted to R\$11,477,269, due, especially, to interest earnings and foreign exchange indexing of Federal Government Debt Securities;

II - Own Issue Debt Securities - the negative result arising from transactions with securities issued by the Bank amounted to R\$473,832, as a result of interests and foreign exchange indexing of Banco Central do Brasil Notes - Special Series - NBC-E.

Governor of the Banco Central do Brasil: Henrique de Campos Meirelles

Board of Directors: Afonso Sant'anna Bevilaqua, Alexandre Schwartzman, Antonio Gustavo Matos do Vale, Eduardo Henrique de Mello Motta Loyo, João Antônio Fleury Teixeira, Paulo Sérgio Cavalheiro, Rodrigo Telles da Rocha Azevedo, Sérgio Darcy da Silva Alves.

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