

BANCO CENTRAL DO BRASIL
BALANCE SHEET - AS OF SEPTEMBER 30, 2005
(In thousands of Reais)

ASSETS		LIABILITIES	
ASSETS IN FOREIGN CURRENCIES	<u>139,597,081</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>49,649,842</u>
Cash	73,612	Items in the Course of Collection	2,242,208
Commitments under Agreements to Resell Assets	232	Commitments under Agreements to Repurchase Assets	217
Time Deposits with Financial Institutions	35,128,874	Loan Payables	36,699,634
Gold	1,135,609	Deposits	10,622,309
Debt Securities	93,241,237	Other	85,474
Receivables	159,903	LIABILITIES IN LOCAL CURRENCIES	<u>385,034,237</u>
Investments in International Financial Organizations	9,857,605	Deposits of Financial Institutions	93,631,813
Other	9	Commitments under Agreements to Repurchase Assets	62,558,392
ASSETS IN LOCAL CURRENCIES	<u>353,655,748</u>	Payables to Government	214,995,948
Commitments under Agreements to Resell Assets	7,297,230	Own Issue Debt Securities	11,669,108
Derivatives	590,645	Actuarial Liabilities	1,062,041
Federal Government Debt Securities	312,176,470	Provisions	730,146
Receivables from Government	12,653,070	Other	386,789
Receivables	20,035,314	CURRENCY IN CIRCULATION	<u>56,352,150</u>
Property, Plant and Equipment	769,716	NET EQUITY	<u>6,856,310</u>
Other	133,303	Retained Earnings	2,576,356
		Income Reserve	4,327,548
		Revaluation Reserve	494,992
		Gains/Losses not taken to Profit and Loss	(2,448,603)
		Effects of Changes in Accounting Policies	1,906,017
		INCOME ACCOUNTS	<u>(4,639,710)</u>
		Creditor	25,035,253
		(Debtor)	(29,674,963)
TOTAL	<u>493,252,829</u>	TOTAL	<u>493,252,829</u>

The Note is an integral part of the Financial Statements

STATEMENT OF INCOME - PERIOD FROM JULY TO SEPTEMBER 2005
(In thousands of Reais)

FOREIGN CURRENCY OPERATIONS	(4,721,944)
Interest Income	1,142,340
Interest Expenses	(517,099)
(=) Net Interest Income	625,241
Gains/Losses with Assets held for trading purposes	(686,427)
Gains/Losses with Assets held for investment purposes	110
Gains and Losses with foreign currencies operations	(4,660,868)
LOCAL CURRENCY OPERATIONS	500,682
Interest Income	14,123,229
Interest Expenses	(13,105,071)
(=) Net Interest Income	1,018,158
Gains/Losses with Assets held for trading purposes	499,109
Gains/Losses with Assets held for investment purposes	(94,371)
Gains/Losses with foreign currency-linked operations	(922,214)
NET PROVISIONS	(35,337)
OTHER INCOME	176,901
OTHER EXPENSES	(560,012)
NET INCOME	(4,639,710)

The Note is an integral part of the Financial Statements

NOTE TO THE FINANCIAL STATEMENTS - September 30, 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 “the results obtained by Banco Central do Brasil (the Bank), 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, this negative result must 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 is comprised of 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\$4,639,710 in the third quarter of 2005 and that, with the result of the fourth quarter, will compose the result of the second 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 half-year, the Bank shall submit, at a joint meeting of the pertinent thematic commissions of the National Congress an evaluation report on the fulfilment of objectives and targets of the monetary, credit and foreign exchange policies, evidencing the result shown in the financial statements 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\$7,516,666 in the third 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 the difference between the yield of the international reserves and the average rate of obtaining such reserves.

	International Reserves		Cost of Funding	Cost of Maintaining the International Reserves	
	Average Balance (R\$ thousands)	Profitability (%)		(%)	(R\$ thousands)
3rd Quarter	132.787.108	(5,38)	2,01	(7,39)	(9.812.967)

In the third quarter of 2005, with an average daily balance of R\$132,787,108, the international reserves recorded a negative yield of 5.38%, considering the negative variation in the period of the main foreign currencies due to their depreciation against the real. Due to the exclusion of the cost of funding of 2.01%, the reserves presented a net result of a negative 7.39% (R\$9,812,967).

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

Items	3 rd Quarter/2005
Income	14,507,961
Federal Government debt securities	13,630,201
Own Issue debt securities	877,760
Expenses	(2,777,630)
Federal Government debt securities	(2,231,445)
Own Issue debt securities	(546,185)
Net Result	11,730,331

In the 3rd quarter, the result obtained 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\$11,398,756, due, especially, to interest earnings;

II - Own Issue debt securities - the positive result arising from transactions with own issue debt securities amounted to R\$331,575, as a result of the negative exchange rate variation which occurred in the period.

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

Board of Directors: Afonso Sant'anna Bevilacqua, Alexandre Antonio Tombini, Alexandre Schwartzman, Antonio Gustavo Matos do Vale, João Antônio Fleury Teixeira, Paulo Sérgio Cavalheiro, Rodrigo Telles da Rocha Azevedo, Sérgio Darcy da Silva Alves.

Head of the Department of Financial Administration: Jefferson Moreira
Accountant, CRC-DF 7,333