

BANCO CENTRAL DO BRASIL
BALANCE SHEET - AS AT MARCH 31, 2006
(In thousands of Reais)

ASSETS		LIABILITIES	
ASSETS IN FOREIGN CURRENCIES	<u>149,112,752</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>20,978,502</u>
Cash	227,417	Items in the Course of Collection	9,540,538
Commitments under Agreements to Resell Assets	4,492,050	Derivatives	277
Time Deposits with Financial Institutions	41,226,665	Loans Payable	1,627,467
Gold	1,412,156	Deposits	9,741,871
Derivatives	10,920	Other	68,349
Debt Securities	92,086,501	LIABILITIES IN LOCAL CURRENCIES	<u>406,068,754</u>
Receivables	79,046	Deposits of Financial Institutions	102,163,453
Investments in International Financial Agencies	9,577,877	Commitments under Agreements to Repurchase Assets	69,416,302
Other	120	Payables to Government	224,357,961
ASSETS IN LOCAL CURRENCIES	<u>335,840,514</u>	Derivatives	567,440
Commitments under Agreements to Resell Assets	8,933,913	Own Issue Debt Securities	6,510,356
Deposits	601,037	Actuarial Liabilities	1,100,334
Derivatives	252,765	Provisions	1,332,271
Federal Government Debt Securities	303,636,191	Other	620,637
Receivables from Government	291,357	CURRENCY IN CIRCULATION	<u>60,667,366</u>
Receivables	21,249,879	NET EQUITY	<u>8,981,320</u>
Property, Plant and Equipment	761,852	Income Reserve	4,662,369
Other	113,520	Revaluation Reserve	491,849
		Gains/Losses not taken to Profit and Loss	(655,271)
		Effects of Changes in Accounting Policies	1,906,017
		Retained Earnings	2,576,356
		INCOME ACCOUNTS	<u>(11,742,676)</u>
		Creditor	22,313,101
		(Debtor)	(34,055,777)
TOTAL	<u>484,953,266</u>	TOTAL	<u>484,953,266</u>

INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2006
(In thousands of Reais)

FOREIGN CURRENCY OPERATIONS	<u>(7,270,793)</u>
Interest income	1,283,876
Interest expenses	(129,142)
(=) Net interest income	1,154,734
Gains/Losses with assets held for trading purposes	(550,520)
Gains/Losses with foreign currency operations	(7,875,007)
LOCAL CURRENCY OPERATIONS	<u>(4,002,883)</u>
Interest income	12,350,518
Interest expenses	(12,545,383)
(=) Net interest income	(194,865)
Gains/Losses with assets held for trading purposes	(2,622,455)
Gains/Losses with assets held for investment purposes	84,662
Gains/Losses with foreign currency-linked operations	(1,270,225)
NET PROVISIONS	(4,912)
OTHER INCOME	215,659
OTHER EXPENSES	(679,747)
NET INCOME	<u>(11,742,676)</u>

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS - March 31st, 2006
(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 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\$11,742,676 in the first quarter of 2006 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\$7,106,320 in the first quarter of 2006.

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 the cost of liabilities.

	International Reserves		Cost of Funding	Cost of maintaining international reserves	
	Average Balance	Profitability			
	(R\$ '000)	(%)	(%)	(%)	(R\$ '000)
1st Quarter	125,351,320	(6.32)	2.35	(8.67)	(10,867,959)

In the first quarter of 2006, with an average daily balance of R\$125,351,320, the international reserves recorded a negative yield of 6.32%, 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 2.35%, the reserves presented a net result of a negative 8.67% (R\$10,867,959).

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

Items	1st Quarter/2006
Income	12,766,021
Federal Government debt securities	12,164,120
Own Issue debt securities	601,901
Expenses	(2,388,154)
Federal Government debt securities	(2,091,496)
Own Issue debt securities	(296,658)
Net Result	10,377,867

In the 1st 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\$10,072,624, due, especially, to interest earnings;

II - Own Issue debt securities - the positive result arising from transactions with own issue debt securities amounted to R\$305,243, 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 Bevilaqua, 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