

**BANCO CENTRAL DO BRASIL**  
**BALANCE SHEET - AS AT SEPTEMBER 30, 2006**  
(In thousands of Reais)

ASSETS		LIABILITIES	
<b>ASSETS IN FOREIGN CURRENCIES</b>	<b><u>174,382,574</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>	<b><u>15,640,912</u></b>
Cash and Cash equivalents	9,055,411	Items in the Course of Collection	3,265,656
Financial Assets Purchased Under Agreements to Resell	861,649	Financial Assets Sold Under Agreements to Repurchase	861,586
Time Deposits placed with Financial Institutions	20,675,216	Deposits Received from Financial Institutions	587
Gold	1,407,084	Derivatives	2,063
Derivatives	4,413	Loans Payable	1,495,129
Debt Securities	132,443,768	Deposits Received from International Financial Organizations	9,944,685
Credits Receivable	111,344	Other	71,206
Investments in International Financial Organizations	9,823,689	<b>LIABILITIES IN LOCAL CURRENCIES</b>	<b><u>411,246,361</u></b>
<b>ASSETS IN LOCAL CURRENCIES</b>	<b><u>334,815,888</u></b>	Items in the Course of Collection	717,370
Deposits	607,105	Financial Assets Sold Under Agreements to Repurchase	88,363,970
Derivatives	221,381	Deposits Received from Financial Institutions	107,502,001
Debt Securities Issued by the Federal Government	298,356,014	Derivatives	40,409
Receivables from the Federal Government	13,310,310	Debt Securities in Issue	6,505,262
Credits Receivable	21,434,215	Payables to the Federal Government	204,856,603
Property, Plant and Equipment	788,264	Actuarial Liabilities	1,151,853
Other	98,599	Provisions	1,501,696
		Accounts Payable	582,735
		Other	24,462
		<b>CURRENCY IN CIRCULATION</b>	<b><u>71,347,771</u></b>
		<b>EQUITY</b>	<b><u>10,549,829</u></b>
		Income Reserve	4,662,369
		Revaluation Reserve	488,707
		Gains/Losses Recognized Directly in Equity	916,380
		Net IFRS Transition Adjustments	1,906,017
		Retained Earnings	2,576,356
		<b>INCOME ACCOUNTS</b>	<b><u>413,589</u></b>
		Creditor	20,265,447
		(Debtor)	(19,851,858)
<b>TOTAL</b>	<b><u>509,198,462</u></b>	<b>TOTAL</b>	<b><u>509,198,462</u></b>

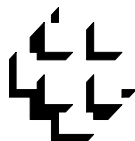
(In thousands of Reais)

---

**INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2006**

<b>FOREIGN CURRENCY OPERATIONS</b>	<b><u>3,035,859</u></b>
Interest income	1,713,613
Interest expenses	(26,554)
(=) Net interest income	1,687,059
Gains/losses on financial assets classified as "At fair value through profit or loss"	935,515
Foreign exchange gains/losses	413,285
<b>LOCAL CURRENCY OPERATIONS</b>	<b><u>(2,210,778)</u></b>
Interest income	11,501,787
Interest expenses	(12,184,703)
(=) Net interest income	(682,916)
Gains/losses on financial assets classified as "At fair value through profit or loss"	(1,119,333)
Net investment income/loss	(458,899)
Gains/Losses with foreign currency-linked operations	50,370
<b>NET PROVISIONS</b>	<b>(1,004)</b>
<b>OTHER INCOME</b>	<b>271,142</b>
<b>OTHER EXPENSES</b>	<b>(681,630)</b>
<b>NET INCOME/LOSS</b>	<b><u>413,589</u></b>

---



---

## **BANCO CENTRAL DO BRASIL**

### **NOTES TO THE FINANCIAL STATEMENTS – September 30<sup>th</sup>, 2006**

(Unless otherwise stated all amounts are expressed in thousands 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 4,595/1964, 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, this negative result must be covered 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 surplus of R\$413,589 in the third quarter of 2006 which, along with the result of the fourth quarter, will add up to the result of the second semester 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\$5,866,766 in the third quarter of 2006.



## BANCO CENTRAL DO BRASIL

### 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 Bank's liabilities.

	International Reserves		Cost of Funding	Cost of maintaining international reserves	
	Average Balance	Profitability			
	(R\$ mil)	(%)		(%)	(R\$ mil)
3rd Quarter	149,566,858	2.04	2.48	(0.44)	(658,094)

In the third quarter, with an average daily balance of R\$149,566,858 the international reserves recorded a positive yield of 2.04%, considering the positive variation of the dollar against the Real. The exclusion of the average cost of liabilities –2.67% - turns the net result of the reserves into a negative result of 0.44% (R\$658,094).

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

	3rd Quarter of 2006
<b>Income</b>	<b>11,041,919</b>
Debt Securities Issued by the Federal Government	10,931,612
Debt Securities in Issue	110,307
<b>Expense</b>	<b>(1,313,939)</b>
Debt Securities Issued by the Federal Government	(992,181)
Debt Securities in Issue	(321,758)
<b>Net Result</b>	<b>9,727,980</b>

In the third quarter, these results can be explained by the following factors:

- I - Debt Securities issued by the Federal Government - the net positive result arising from transactions with these securities amounted to R\$9,939,431 due, especially, to interest earnings;
- II - Debt Securities in Issue – the net negative result arising from transactions with these securities amounted to R\$211,451 as a result of exchange rate variation and interest for the period

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

Board of Directors: Afonso Sant'Anna Bevilacqua, Alexandre Antonio Tombini, Antonio Gustavo Matos do Vale, João Antônio Fleury Teixeira, Mário Magalhães Carvalho Mesquita, Paulo Sérgio Cavalheiro, Paulo Vieira da Cunha, Rodrigo Telles da Rocha Azevedo.

Head of the Accounting and Financial Department: Jefferson Moreira

Accountant – CRC-DF 7.333