

BANCO CENTRAL DO BRASIL
BALANCE SHEET (as at March 31, 2008)
In Thousands of Reais

ASSETS		LIABILITIES	
ASSETS IN FOREIGN CURRENCIES	<u>367,259,768</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>24,652,288</u>
Cash and Cash Equivalents	8,556,871	Items in the Course of Collection	2,452,597
Time Deposits Placed with Financial Institutions	4,333,120	Deposits Received from Financial Institutions	472
Financial Assets Purchased Under Agreement to Resell	9,862,651	Financial Assets Sold Under Agreements to Repurchase	9,866,432
Derivatives	56,248	Derivatives	42,393
Debt Securities	333,754,215	Loans Payable	1,057,621
Gold	1,777,376	Deposit Received from International Financial Organizations	8,877,463
Investments in International Financial Organizations	8,802,577	Accounts Payable	39,820
Other	116,710	Other	2,315,490
ASSETS IN LOCAL CURRENCY	<u>411,639,267</u>	LIABILITIES IN LOCAL CURRENCY	<u>656,901,543</u>
Financial Assets Purchased Under Agreement to Resell	1,381	Items in the Course of Collection	579,077
Deposits	599,151	Deposits Received from Financial Institutions	144,630,117
Derivatives	143,999	Financial Assets Sold Under Agreements to Repurchase	227,320,187
Debt Securities	364,706,632	Derivatives	1,142
Receivables from the Federal Government	17,854,584	Payables to the Federal Government	272,646,170
Credits Receivables	24,218,343	Accounts Payable	1,113,734
Property, Plant and Equipment	790,508	Deposit Received from International Financial Organizations	29,780
Other	3,324,669	Provision	10,561,075
		Other	20,261
		CURRENCY IN CIRCULATION	<u>89,466,285</u>
		NET EQUITY	<u>2,653,481</u>
		Income Reserve	1,606,019
		Revaluation Reserve	479,011
		Gains (Losses) Recognized Directly in Equity	(2,007,905)
		Retained Earnings	2,576,356
		INCOME ACCOUNTS	<u>5,225,438</u>
		Creditor	45,502,560
		(Debtor)	(40,277,122)
TOTAL	<u>778,899,035</u>	TOTAL	<u>778,899,035</u>

INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2008**In Thousands of Reais**

FOREIGN CURRENCIES OPERATIONS	<u>10,357,214</u>
Interest income	467,586
Interest expenses	(221,955)
(=) Net ineterest income	245,631
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	10,511,801
Gains (losses) from foreign exchange	(400,218)
LOCAL CURRENCY OPERATIONS	<u>(4,985,640)</u>
Interest income	11,224,356
Interest expenses	(15,707,712)
(=) Net ineterest income	(4,483,356)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	(880,121)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	414,720
Gains (losses) from foreign currency-linked operations	(36,883)
OTHER INCOME	447,278
OTHER EXPENSES	(593,414)
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	<u>5,225,438</u>

Supplementary Information Not Required by IFRSs

NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	5,225,438
Net result from exchange rate variations and swaps	(2,773,114)
NET INCOME (LOSS) EXCLUDING THE RESULT FROM EXCHANGE RATE VARIATIONS AND SW	7,998,552

(The Explanatory Notes are an integral part of the Financial Statements)



BANCO CENTRAL DO BRASIL

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – March 31st, 2008

(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 CMN.

Therefore:

I - The result of the Banco Central do Brasil – “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 surplus of R\$5,225,438 in the first quarter, 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 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 (among which the Economic Subjects Commission, the Finances and Taxation Commission, and the Public Budget Commission), 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\$7,148,146 in the first quarter of 2008.

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 cost of the Bank’s liabilities. The yield on the international reserves is the sum of net profitability of these operations divided by the average in the period of the daily



BANCO CENTRAL DO BRASIL

balances. The average cost of the Bank's liabilities is calculated dividing the cost of remunerating these liabilities by the average of the daily balances in the period of the liabilities including the Bank's net equity.

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance	Profitability		(%)	(R\$ '000)
	(R\$ '000)	(%)	(%)	(%)	(R\$ '000)
1st quarter	328,795,307	3.34%	2.02%	1.32%	4,340,098

d) Profitability of the securities portfolio - Fiscal Responsibility Law, Article 7, Paragraph 3

Debt Securities issued by the Federal Government	Income	Expenses	Result
1st quarter	10,418,980	(39,523)	10,379,457

Governor of the Banco Central do Brasil

Henrique de Campos Meirelles

Deputy Governors

Alexandre Antonio Tombini

Alvir Alberto Hoffmann

Anthero de Moraes Meirelles

Antonio Gustavo Matos do Vale

Maria Celina Berardinelli Arraes

Mario Gomes Torós

Mário Magalhães Carvalho Mesquita

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