

<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>ASSETS IN FOREIGN CURRENCIES</b>	<b><u>419,829,596</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>	<b><u>22,079,873</u></b>
Cash and Cash Equivalents	11,683,986	Items in the Course of Collection	7,483,838
Time Deposits Placed with Financial Institutions	3,478,844	Deposits Received from Financial Institutions	517
Financial Assets Purchased Under Resell Agreement	6,152,543	Financial Assets Sold Under Repurchase Agreement	4,237,406
Derivatives	40,248	Derivatives	93,578
Debt Securities	387,422,432	Loans Payable	1,095,638
Credits Receivables	99,985	Deposit Received from International Financial Organizations	9,167,897
Gold	1,828,726	Other	999
Investments in International Financial Organizations	9,122,832	<b>LIABILITIES IN LOCAL CURRENCY</b>	<b><u>766,992,360</u></b>
Other	-	Items in the Course of Collection	-
<b>ASSETS IN LOCAL CURRENCY</b>	<b><u>483,288,998</u></b>	Deposits Received from Financial Institutions	156,700,264
Deposits	604,137	Financial Assets Sold Under Repurchase Agreement	307,746,534
Financial Assets Purchased Under Resell Agreement	84,596	Derivatives	67,338,848
Derivatives	-	Payables to the Federal Government	222,181,474
Debt Securities	407,032,609	Accounts Payable	1,251,199
Receivables from the Federal Government	46,224,931	Deposit Received from International Financial Organizations	19,512
Credits Receivables	24,903,773	Provision	11,730,564
Property, Plant and Equipment	781,400	Other	23,965
Other	3,657,552	<b>CURRENCY IN CIRCULATION</b>	<b><u>98,211,453</u></b>
		<b>NET EQUITY</b>	<b><u>12,029,349</u></b>
		Capital	13,072,428
		Income Reserve	1,606,019
		Revaluation Reserve	475,868
		Gains (Losses) Recognized Directly in Equity	(3,124,966)
		<b>INCOME ACCOUNTS</b>	<b><u>3,805,559</u></b>
		Creditor	118,248,595
		(Debtor)	(114,443,036)
<b>TOTAL</b>	<b><u>903,118,594</u></b>	<b>TOTAL</b>	<b><u>903,118,594</u></b>

**INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2008****In Thousands of Reais****2**

<b>FOREIGN CURRENCIES OPERATIONS</b>	<b><u>69,949,742</u></b>
Interest income	150,948
Interest expenses	(109,669)
(=) Net interest income	41,279
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	69,822,841
Gains (losses) on investment positions	971
Gains (losses) on foreign exchange	84,651
<b>LOCAL CURRENCY OPERATIONS</b>	<b><u>(65,155,794)</u></b>
Interest income	14,807,277
Interest expenses	(20,196,042)
(=) Net interest income	(5,388,765)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	(60,549,971)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	790,289
Gains (losses) on foreign currency-linked operations	(7,347)
<b>OTHER INCOME</b>	<b>435,221</b>
<b>OTHER EXPENSES</b>	<b>(1,423,610)</b>
<b>NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs</b>	<b><u>3,805,559</u></b>

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, Mario  
Magalhães Carvalho Mesquita.

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



# BANCO CENTRAL DO BRASIL

## EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – September 30th, 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\$3,805,559 in the third quarter, 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 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\$6,832,276 in the third 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 cost of maintaining foreign exchange reserves used to be calculated by the average daily balances. Since the Provisional



## BANCO CENTRAL DO BRASIL

Measure 435 was released, following its legal instruction, it has been calculated daily, instead of using the average balances.

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance	Profitability		(%)	(R\$ '000)
	(R\$ '000)	(%)	(%)	(%)	(R\$ '000)
3rd quarter	341,475,852	20.86	(3.13)	17.73	60,549,971

In the third quarter, the international reserves have had positive returns of 20.86%, already considering the variation in the exchange rate of Real in relation to the other international reserve currencies in the period. The net result, excluding cost of funding, was 17.73% positive (R\$60,549,971).

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

Debt Securities issued by the Federal Government	Income	Expenses	Result
3rd quarter	13,061,585	-	13,061,585

### Governor of the Banco Central do Brasil

Henrique de Campos Meirelles

### Deputy Governors

Alexandre Antonio Tombini

Alvir Alberto Hoffmann

Anthero de Moraes Meirelles

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Maria Celina Berardinelli Arraes

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### Head of the Accounting and Financial Department

Jefferson Moreira – Accountant – CRC-DF 7,333