

BANCO CENTRAL DO BRASIL
BALANCE SHEET - ON 9.30.2002

In R\$ 000

ASSETS		LIABILITIES	
CURRENT AND LONG TERM ASSETS	<u>485,654,574</u>	CURRENT AND LONG TERM LIABILITIES	<u>465,045,710</u>
FOREIGN	<u>169,513,281</u>	FOREIGN	<u>106,508,353</u>
- Foreign Sector Operations	169,554,222	- Foreign Currency Liabilities	89,450,510
(Allowances for Doubtful Debtors)	(40,941)	- Deposits of International Financial Organizations	16,120,162
INTERNAL	<u>316,141,293</u>	- Sundry Accounts	937,681
- Operations	<u>251,256,537</u>	INTERNAL	<u>358,537,357</u>
Federal Public Securities	235,398,650	- Financial Institutions Deposits	<u>61,756,866</u>
Security Operations - Resale Commitments	5,297,878	Banking Reserves - Demand Deposits	22,949,838
Rediscount	3,390	Banking Reserves - Savings Deposits	27,211,080
Derivative Operations	7,837,933	Banking Reserves - Legal Deposits	12,095,306
Sale of Foreign Currency in the Domestic Market - to be Settled	2,718,631	Banking Reserves - Term Deposits	23,869,781
Other Operations	75	Banking Reserves - Additional Requirements	11,417,295
(Allowances for Doubtful Debtors)	(20)	Channeling of SBPE Funds	1,627,448
- Other Credits	<u>36,609,711</u>	Sundry Accounts	168,765
Receivables	28,957,496	(Collection in Federal Public Securities)	(37,582,647)
(Allowances for Doubtful Debtors)	(7,595,697)	- Other Deposits	<u>115,614,078</u>
Funds Managed by Centrus	1,451,908	Deposits to Federal Government Order	115,570,895
Securities Receivable	1,216,669	Deposits Earmarked to Guarantee Operations	3,487,421
(Allowances for Doubtful Debtors)	(146,910)	Sundry Accounts	43,179
Credits Registered under Debts in Execution	1,378,586	(Collection in Federal Public Securities)	(3,487,417)
(Allowances for Doubtful Debtors)	(1,378,586)	- Other Liabilities	<u>176,542,842</u>
Debtors of Real Estate Commitments	11,106	Banco Central Notes - NBC	93,574,024
Fines	3,516,144	Securities Operations - Repurchase Commitments	67,780,348
(Allowances for Doubtful Debtors)	(3,515,768)	Derivative Operations	10,919,272
Credit to be Covered by the National Treasury	12,714,763	Purchase of Foreign Currency in the Domestic Market - to be Settled	4,208,742
- Other Accounts	<u>4,622,725</u>	Sundry Accounts	60,456
Advances on Export Foreign Exchange Contracts	3,967,437	- Other Accounts	<u>4,623,571</u>
Settlements of Contributions - Law 9.650	620,676	Other Foreign Currency Liabilities	37,672
Deposits Earmarked to Appeals	406,063	Settlements of Contributions - Law 9.650	253,830
(Allowances for Judicial Losses)	(405,979)	Income from Federal Government Deposits, to be Transferred	3,603,120
Credits with Proagro	62,403	Amounts Payable - Centrus	653,865
(Allowances for Doubtful Debtors)	(62,403)	Sundry Accounts	75,084
Sundry Accounts	34,528		
- Securities and Assets	<u>23,652,191</u>	CURRENCY	<u>37,819,862</u>
Swap Operations Guarantees	23,639,299		
Other	12,892		
- Prepaid Expenses or Expenses to be Appropriated	<u>129</u>		
PERMANENT	<u>16,488,929</u>	NET WORTH	<u>5,258,230</u>
INVESTMENTS	<u>15,746,388</u>	- Equity	2,576,356
- Capital Quotas in International Financial Organizations	<u>15,746,388</u>	- Contingency Reserves	2,193,946
International Monetary Fund - IMF	15,606,677	- Revaluation Reserves	487,928
Bank for International Settlements - BIS	139,711		
FIXED ASSETS	<u>742,541</u>	INCOME ACCOUNTS	<u>(5,980,299)</u>
- Fixtures and Fittings	131,936	- Creditor	164,591,141
- Real Estate	773,029	- (Debtor)	(170,571,440)
- Intangible Assets	62		
- (Accumulated Depreciation)	(162,486)		
TOTAL	<u>502,143,503</u>	TOTAL	<u>502,143,503</u>

STATEMENT OF INCOME FROM JULY TO SEPTEMBER 2002 (In R\$ 000)

OPERATING REVENUES	<u>158,219,015</u>
- Open Market Operations	70,910,084
- Foreign Sector Operations	83,285,401
- Banking Sector Operations	11,262
- Penalties Levied	480,741
- Credits and Securities Receivable	291,280
- Operations with the National Treasury	1,902,428
- Allowances Reversal and Foreign Exchange Restatement	1,336,571
- Other	1,248
OPERATING EXPENDITURES	<u>(167,826,570)</u>
- Open Market Operations	(85,238,495)
- Foreign Sector Operations	(63,188,125)
- Banking Sector Operations	(731,191)
- National Treasury Operations	(17,575,265)
- Constitution and Monetary/Exchange Restatement of Allowances	(593,490)
- Administrative	(241,283)
- Other	(258,721)
OPERATING RESULT	<u>(9,607,555)</u>
NON-OPERATING REVENUES	6,372,126
NON-OPERATING EXPENDITURES	<u>(2,744,870)</u>
NON-OPERATING RESULT	<u>3,627,256</u>
RESULT FOR THE PERIOD	<u>(5,980,299)</u>

FINANCIAL RELATIONSHIP WITH THE NATIONAL TREASURY ON 9.30.2002 (In R\$ 000)

DEBT BALANCES	<u>262,012,896</u>
National Treasury Notes - NTN	89,242,503
National Treasury Financial Bills - LFT	91,304,642
National Treasury Bills - LTN	65,039,325
Securitized Credits - CVS	1,638,990
Wage Variation Compensation Fund - FCVS	1,540,254
Credit to be Paid by National Treasury	12,714,763
Judicial Deposits in the name of the National Treasury	3,701
Settlement of Contributions - Law 9.650	489,318
PND - State Banks	4,812
Credits Subject to Refunds	33,329
Taxes and Contributions, to be Recovered	1,259
CREDIT BALANCES	<u>119,458,091</u>
Federal Government Deposits	115,570,895
Settlement of Contributions - Law 9.650	230,463
Income from Federal Government Deposits, to be Transferred	3,603,120
Deposits in Foreign Currencies - Paris Club	11,113
Funds Linked to Administration of Foreign Debt Guarantees	19,474
Judicial Deposits Consequent upon Final Decision	9,332
Cash Reserve Availabilities	65
Taxes and Contributions, to be Deposited	13,629

FINANCIAL FLOW WITH THE NATIONAL TREASURY FROM JULY TO SEPTEMBER 2002 (In R\$ 000)

FEDERAL SECURITIES	<u>3,799,766</u>
- Acquisition	(25,111,109)
- Redemption	26,238,428
- Interest	2,672,447
OTHER INFLOWS	<u>(15,269,182)</u>
- Earnings on Available Funds	(15,269,182)
NET FINANCIAL FLOW	<u>(11,469,416)</u>

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS - on September, 30 2002

(in R\$ thousands)

FISCAL RESPONSIBILITY LAW – INFORMATION REQUIRED

(a) Impact and fiscal cost of its operations – Fiscal Responsibility Law, Article 7, paragraph 2:

Paragraph 1 of Article 8 of Law no. 4,595/64, as amended by Decree-Law no. 2,376/87, provides that “results achieved by the *Banco Central do Brasil*, considering revenues and expenses from all its operations, shall be, effective from January 1, 1988, assessed on an accrual basis and transferred to the National Treasury, after compensated for any losses from previous fiscal years”. This provision was partially changed by Article 7, and its Paragraph 1, of the Fiscal Responsibility Law:

“Article 7. The *Banco Central do Brasil* results, which are determined after the constitution or reversal of reserves, are classified as National Treasury revenue and must be transferred within ten-business day after the approval of the half-year balance sheets.

Paragraph 1. The negative results must be classified as a Treasury liability to the *Banco Central do Brasil* and must be stated in a specific budget allocation account.”

According to Article 2(II) of Provisional Measure no. 2,179/2001, this negative result shall be paid up by 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 *Banco Central do Brasil* considers revenues and expenses related to all *Banco Central* operations;
- II. positive results are transferred as revenues to, and negative results are covered as expenses by, the National Treasury;
- III. such results are recorded in the Fiscal Budget to the National Treasury account.

Thus the Bank recorded a negative result of R\$5,980,299 thousand in the third quarter of 2002 and that, with the result of the fourth quarter, will compose the result to be transferred to or covered by the National Treasury. According to Article 9, Paragraph 5 of the Fiscal Responsibility law, within ninety days from the closing of the half-year, the *Banco Central do Brasil* shall submit, at a joint meeting of the National Congress thematic commissions, an assessment of fulfillment of objectives and targets of monetary, credit and foreign exchange policies, providing evidence of the impact and fiscal cost of its operations and results shown in appropriate balance sheets;

(b) cost of remunerating National Treasury available cash – Fiscal Responsibility Law , Article 7, Paragraph 3:

The Federal Government’s available cash are deposited with the *Banco Central* and remunerated, according to Article 1 of Provisional Measure no. 2,179, by the weighted arithmetic average rate of the intrinsic yield of federal domestic public debt securities issued by the National Treasury held by the *Banco Central*.

The cost of remunerating National Treasury deposits reached, in the third quarter of 2002, the sum of R\$17,482,983 thousand;

(c) cost of maintaining foreign exchange reserves – Fiscal Responsibility Law , Article 7, paragraph 3:

In the quarter extending from July to September 2002, exchange reserves deposited at Banco Central do Brasil, expressed in national currency, came to R\$123,634,828 thousand, calculated according to the criterion of daily average balances. Earnings on these reserves closed in a positive position of 35.21% in the period. Once the median cost of the liabilities of the institution (20.92%) is excluded, international reserves generated negative profitability of R\$17,669,642 thousand, corresponding to 14.29%, taking due account of the impacts of exchange indexing in the same period.

(d) Yield of *Banco Central* securities portfolio, with emphasis on Government issued securities – Fiscal Responsibility Law, Article 7, Paragraph 3:

	(In R\$ thousand)
	3rd Quarter/2002
REVENUES	66,054,264
Federal Government Securities	52,506,605
Banco Central Securities	13,547,659
EXPENSES	(66,397,281)
Federal Government Securities	(25,510,540)
Banco Central Securities	(40,886,741)
NET RESULT	(343,017)

In the quarter, the net result was due mainly to the following reasons:

- I – Government Securities – the net result of the Government Securities was positive in R\$26,996,065 thousand resulted from net revenues from foreign exchange indexing, monetary restatement and interest, compared with the net expenses from adjustment to market value;
- II – *Banco Central* Securities – the net result from own securities was negative in R\$27,339,082 thousand and resulted, to a large extent, from net expenses from foreign exchange indexing and NBC interest expenses.

Governor of the Banco Central do Brasil: ARMINIO FRAGA NETO

Board of Directors: BENY PARNES, CARLOS EDUARDO DE FREITAS, EDISON BERNARDES DOS SANTOS, ILAN GOLDFAJN, LUIZ FERNANDO FIGUEIREDO, SÉRGIO DARCY DA SILVA ALVES, TEREZA CRISTINA GROSSI TOGNI.

Head of the Department of Financial Administration: JEFFERSON MOREIRA

Accountant - CRC-DF 7,333

This text is republished so as to account for the change of the value – from (R\$ 17,575,265 thousand) to (R\$17,482,983 thousand) – quoted in the second paragraph of clause “b”, of the original Note to the Financial Statements, due to the observation of a court order – Tribunal de Contas da União – in the Sentence 509/2004 of the Plenary Sitting, of May 17 2004, pronounced in Case Record TC-006.919/2003-3.

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

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

Head of the Department of Financial Administration: Jefferson Moreira

Accountant – CRC-DF 7,333