

| ASSETS | | LIABILITIES | |
|--|-----------------------------|---|-----------------------------|
| ASSETS IN FOREIGN CURRENCIES | <u>461,602,428</u> | LIABILITIES IN FOREIGN CURRENCIES | <u>34,833,599</u> |
| Cash and Cash Equivalents | 17,996,425 | Items in the Course of Collection | 15,524,249 |
| Time Deposits Placed with Financial Institutions | 35,182,499 | Deposits Received from Financial Institutions | 481 |
| Financial Assets Purchased Under Resell Agreement | 4,711,445 | Financial Assets Sold Under Repurchase Agreement | 4,684,862 |
| Derivatives | 31,346 | Derivatives | 30,181 |
| Debt Securities | 392,501,847 | Accounts Payable | 7,886,301 |
| Credits Receivables | 758,040 | Deposit Received from International Financial Organizations | 6,707,525 |
| Gold | 2,146,073 | | |
| Investments in International Financial Organizations | 8,274,742 | | |
| Other | 11 | | |
| ASSETS IN LOCAL CURRENCY | <u>702,466,526</u> | LIABILITIES IN LOCAL CURRENCY | <u>984,181,962</u> |
| Deposits | 612,730 | Items in the Course of Collection | 266,629 |
| Debt Securities | 667,650,082 | Deposits Received from Financial Institutions | 190,718,442 |
| Receivables from the Federal Government | 55,282 | Financial Assets Sold Under Repurchase Agreement | 431,667,932 |
| Credits Receivables | 29,810,795 | Derivatives | 1,482,479 |
| Property, Plant and Equipment | 774,146 | Payables to the Federal Government | 341,066,239 |
| Other | 3,563,491 | Accounts Payable | 1,255,479 |
| | | Deposit Received from International Financial Organizations | 1,387 |
| | | Provision | 17,702,674 |
| | | Other | 20,701 |
| | | CURRENCY IN CIRCULATION | <u>119,108,107</u> |
| | | NET EQUITY | <u>20,117,104</u> |
| | | Capital | 24,675,451 |
| | | Income Reserve | 1,606,019 |
| | | Revaluation Reserve | 466,440 |
| | | Gains (Losses) Recognized Directly in Equity | (6,630,806) |
| | | INCOME ACCOUNTS | <u>5,828,182</u> |
| | | Creditor | 84,954,616 |
| | | (Debtor) | (79,126,434) |
| TOTAL | <u>1,164,068,954</u> | TOTAL | <u>1,164,068,954</u> |

INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2010**In Thousands of Reais****2**

| | |
|--|-------------------------|
| Interest income | 17,868,218 |
| Interest expenses | <u>(20,583,265)</u> |
| (=) Net interest income | (2,715,047) |
| Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading | 7,782,900 |
| Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management | 844,585 |
| Gains (losses) on foreign exchange | 159,862 |
| Other income | 367,676 |
| Other expenses | (611,794) |
| NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs | <u>5,828,182</u> |



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EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – March 31, 2010

(In thousands 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 Bank's result 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 positive result of R\$5,828,182 in the first quarter of 2010 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 end of the semester, the Bank shall present, in a joint meeting of the pertinent Theme Committees of the National Congress (among which the Economic Subjects Committees, the Finances and Taxation Committees, and the Public Budget Committees), 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\$8,330,586 in the first quarter of 2010.

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 international reserves, including the exchange rate variation, and the average funding cost of the Bank.

On March 31, 2010, the sovereign debt securities represented 88.4% of total international reserves, as disclosed in the International Reserves and Liquidity in Foreign Currencies table, prepared in



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accordance with the Special Data Dissemination Standard – SDDS of the International Monetary Fund, available on the Bank's website (www.bcb.gov.br).

| | International Average Balance (R\$ '000) | Reserves Profitability (%) | Cost of funding (%) | Cost of Maintaining International Reserves (%) | Cost of Maintaining International Reserves (R\$ '000) |
|------------------|--|----------------------------------|---------------------------|--|---|
| 1st quarter/2010 | 434,250,264 | 2.14 | (1.80) | 0.34 | 1,482,479 |

The international reserves had positive returns of 2.14% in the first quarter. Excluding the funding cost of the Bank, the net result of the international reserves was positive by 0.34% (R\$1,482,479).

d) Profitability of the securities portfolio, emphasizing the securities issued by the Brazilian Federal Government - Fiscal Responsibility Law, Article 7, Paragraph 3:

The profitability of the Bank's securities portfolio, which is exclusively composed of Government securities, was R\$16,232,182 in the 1st quarter of 2010.

Governor of the Banco Central do Brasil

Henrique de Campos Meirelles

Deputy Governors

Aldo Luiz Mendes

Alexandre Antônio Tombini

Alvir Alberto Hoffmann

Anthero de Moraes Meirelles

Antônio Gustavo Matos do Vale

Carlos Hamilton Vasconcelos Araújo

Mário Magalhães Carvalho Mesquita

Head of the Accounting and Financial Department

Jefferson Moreira – Accountant – CRC-DF 7.333