

ASSETS		LIABILITIES AND EQUITY	
ASSETS IN FOREIGN CURRENCIES	<u>1,307,439,594</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>94,346,454</u>
Cash and Cash Equivalents	82,547,481	Items in the Course of Collection	17,375,456
Time Deposits Placed with Financial Institutions	43,713,675	Deposits Received from Financial Institutions	2,308
Funds Under External Management	19,485,701	Financial Assets Sold Under Repurchase Agreements	17,477,277
Financial Assets Purchased Under Resale Agreements	50,860,326	Derivatives	8
Securities	1,047,874,989	Accounts Payable	13,091,457
Receivables	3,562,196	Deposits Received from International Financial Organizations	46,396,239
Gold	9,255,628	Other	3,709
Investment in International Financial Organizations	50,139,598		
ASSETS IN LOCAL CURRENCY	<u>1,598,136,032</u>	LIABILITIES IN LOCAL CURRENCY	<u>2,463,533,091</u>
Cash and Cash Equivalents	9,430,211	Items in the Course of Collection	18,908
Deposits	1,446,079	Deposits Received from Financial Institutions	402,441,465
Financial Assets Purchased Under Resale Agreements	7,510	Financial Assets Sold Under Repurchase Agreements	1,109,906,551
Derivatives	17,293,588	Derivatives	1,929,454
Federal Government Securities	1,331,125,191	Payables to the Federal Government	918,156,277
Receivables from the Federal Government	208,178,251	Accounts Payable	867,752
Receivables	28,347,549	Deposits Received from International Financial Organizations	16,871
Property and Equipment	845,231	Provisions	30,143,508
Other	1,462,422	Other	52,305
		CURRENCY IN CIRCULATION	<u>209,290,951</u>
		EQUITY	<u>132,521,273</u>
		Capital	139,675,451
		Revenue Reserve	6,624,205
		Revaluation Reserve	425,627
		Gains (Losses) Recognized Directly in Equity	(14,204,010)
		INCOME ACCOUNTS	<u>5,883,857</u>
		Creditor	105,825,917
		(Debtor)	(99,942,060)
TOTAL ASSETS	<u>2,905,575,626</u>	TOTAL LIABILITIES AND EQUITY	<u>2,905,575,626</u>

BANCO CENTRAL DO BRASIL
INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2016
In thousands of Reais

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Interest income	46,763,416
Interest expenses	<u>(76,215,443)</u>
Net interest result	(29,452,027)
Gains (losses) on financial instruments classified as At fair value through profit or loss, held for trading	31,579,042
Gains (losses) on financial instruments classified as At fair value through profit or loss, by designation of the management	2,095,854
Gains (losses) from foreign currencies	1,328,576
Gains (losses) from monetary gold	103,031
Other income	1,012,204
Other expenses	(782,823)
NET INCOME FOR THE PERIOD	<u>5,883,857</u>



EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – September 30, 2016

FISCAL RESPONSIBILITY LAW – MANDATORY SUPPLEMENTARY INFORMATION

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

The sole paragraph of Article 8 of Law 4,595, of December 31, 1964, with the wording given by Decree Law 2,376, of November 25, 1987, establishes that “as from January 1st, 1988, the results obtained by the Banco Central, considering the revenues and expenses related to all its operations, shall be 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 (Complementary Law 101 of May 4, 2000):

“Article 7. The result of the Banco Central do Brasil, calculated after the recording or reversal of reserves, constitutes revenue of the National Treasury and will be transferred no later than the 10th working day subsequent to the approval of the semiannual balance sheets.

Paragraph 1. The negative result will constitute a liability of the Treasury owed to the Banco Central do Brasil and will be consigned in a specific budget allocation account.”

Pursuant to Clause II of Article 2 of Provisional Measure 2,179-36, of August 24, 2001, this negative result must be covered no later than the 10th working day of the year following the approval of the balance sheet by the National Monetary Council.

Accordingly:

- I - the result of the Banco Central do Brasil considers the revenues and expenses related to all its operations;
- II - the positive results are transferred as revenues to the National Treasury and the negative results are covered as expenses of the National Treasury;
- III - these results are included in the budget in the National Treasury account.

The Banco Central do Brasil presented a positive result of R\$5,883,857 thousand in the third quarter of 2016 and, together with the result to be determined in the fourth quarter, will compose the result of the second half of 2016, which will be transferred to or covered by the National Treasury. In conformity with paragraph 5 of Article 9 of the Fiscal Responsibility Law, within 90 days after the half-year end, the Banco Central do Brasil shall present, in a joint meeting of the pertinent thematic committees of the National Congress, an evaluation report on the fulfillment of the objectives and goals of the monetary, credit and foreign exchange policies, clearly showing the impact and the fiscal cost of its operations and the results presented in the financial statements.

b) Cost of remunerating the deposits of the National Treasury – Fiscal Responsibility Law, paragraph 3 of Article 7

The cost corresponding to the remuneration of the deposits of the National Treasury amounted to R\$26,391,758 thousand in the third quarter of 2016.

c) Cost of maintaining the foreign exchange reserves – Fiscal Responsibility Law, paragraph 3 of Article 7

The cost of maintaining the foreign exchange reserves is calculated, on a daily basis, by the difference between the rate of profitability of the international reserves, including foreign exchange variation, and the average rate of funding calculated by the Banco Central do Brasil.



BANCO CENTRAL DO BRASIL

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At September 30, 2016, 87.16% of the reserve assets were composed of securities, as published in the International Reserves and Liquidity in Foreign Currencies table, available on the Banco Central do Brasil's website (www.bcb.gov.br).

In the third quarter of 2016, the international reserves presented a positive return of 1.25%, totaling 1.41% negative (R\$17,287,721 thousand) when taking into consideration the funding cost.

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability (%)		(%)	(R\$ thousand)
3rd quarter/2016	1,224,388,587	1.25	(2.66)	(1.41)	(17,287,721)

It should be pointed out that the foreign exchange restatement presents a difference resulting from the translation of the amounts of the reserve assets into Reais, and it is not a realized result from a financial point of view. Therefore, after excluding this restatement, the international reserves presented in the third quarter of 2016 a positive return of 0.05%, being comprised of accrued interest (0.15%) and the negative mark-to-market adjustment of the assets (0.10%). After deducting the funding cost, the net result of the reserves in the third quarter of 2016 was negative by 2.61% (R\$31,915,714 thousand).

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability, excluding foreign exchange variation (%)		(%)	(R\$ thousand)
3rd quarter/2016	1,224,388,587	0.05	(2.66)	(2.61)	(31,915,714)

d) Profitability of the securities portfolio – Fiscal Responsibility Law, paragraph 3 of Article 7

The profitability of the securities portfolio of the Banco Central do Brasil, composed exclusively of securities issued by the Federal Government, was R\$40,330,482 thousand in the third quarter of 2016.

Governor: Ilan Goldfajn

Deputy governors: Anthero de Moraes Meirelles, Carlos Viana de Carvalho, Isaac Sidney Menezes Ferreira, Luiz Edson Feltrim, Otávio Ribeiro Damaso, Reinaldo Le Grazie, Sidnei Corrêa Marques and Tiago Couto Berriel

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