

ASSETS		LIABILITIES AND EQUITY	
ASSETS IN FOREIGN CURRENCIES	<u>1,290,326,938</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>114,372,315</u>
Cash and Cash Equivalents	79,886,765	Items in the Course of Collection	10,054,044
Time Deposits Placed with Financial Institutions	36,855,124	Deposits Received from Financial Institutions	2,253
Funds Under External Management	1,122,669	Financial Assets Sold Under Repurchase Agreements	47,666,276
Financial Assets Purchased Under Resale Agreements	65,924,456	Derivatives	53,400
Derivatives	184,988	Accounts Payable	12,567,854
Securities	1,046,950,755	Deposits Received from International Financial Organizations	44,025,269
Receivables	3,286,097	Other	3,219
Gold	8,541,789		
Investment in International Financial Organizations	47,574,295		
ASSETS IN LOCAL CURRENCY	<u>1,754,814,743</u>	LIABILITIES IN LOCAL CURRENCY	<u>2,589,348,020</u>
Cash and Cash Equivalents	1,742,635	Items in the Course of Collection	9,105
Deposits	1,498,185	Deposits Received from Financial Institutions	420,553,579
Derivatives	52,749,775	Financial Assets Sold Under Repurchase Agreements	1,106,725,998
Federal Government Securities	1,608,237,647	Derivatives	5,178,422
Receivables from the Federal Government	57,237,864	Payables to the Federal Government	1,019,036,983
Receivables	31,227,238	Accounts Payable	638,355
Property and Equipment	881,760	Deposits Received from International Financial Organizations	21,529
Other	1,239,639	Provisions	37,075,536
		Other	108,513
		CURRENCY IN CIRCULATION	<u>208,947,637</u>
		EQUITY	<u>124,903,205</u>
		Capital	139,675,451
		Revenue Reserve	6,624,205
		Revaluation Reserve	422,693
		Gains (Losses) Recognized Directly in Equity	(21,819,144)
		INCOME ACCOUNTS	<u>7,570,504</u>
		Creditor	164,264,939
		(Debtor)	(156,694,435)
TOTAL ASSETS	<u>3,045,141,681</u>	TOTAL LIABILITIES AND EQUITY	<u>3,045,141,681</u>

BANCO CENTRAL DO BRASIL
INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2017
In thousands of Reais

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Interest income	47,180,188
Interest expenses	<u>(71,580,474)</u>
Net interest result	(24,400,286)
Gains (losses) on financial instruments classified as At fair value through profit or loss, held for trading	31,114,254
Gains (losses) on financial instruments classified as At fair value through profit or loss, by designation of the management	3,527,668
Gains (losses) from foreign currencies	(2,698,963)
Gains (losses) from monetary gold	362,832
Other income	847,679
Other expenses	(1,182,680)
NET INCOME FOR THE PERIOD	<u>7,570,504</u>



EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – March 31, 2017

FISCAL RESPONSIBILITY LAW – MANDATORY 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\$7,570,504 thousand in the first quarter of 2017 and, together with the result to be determined in the second quarter, will compose the result of the first half of 2017, 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\$25,199,512 thousand in the first quarter of 2017.

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 March 31, 2017, 87.30% of the reserve assets were comprised 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 first quarter of 2017, the international reserves presented a negative return of 2.08%, totaling 4.48% negative (R\$52,683,194 thousand) when taking into consideration the funding cost.

	International Reserves		Funding	Cost of Maintaining	
	Average Balance (R\$ thousand)	Profitability (%)	Cost (%)	International Reserves (%)	International Reserves (R\$ thousand)
1st quarter/2017	1,176,223,101	(2.08)	(2.40)	(4.48)	(52,683,194)
Total for the six-month period					(52,683,194)

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 first quarter of 2017 a positive return of 0.35%, being comprised of accrued interest (0.19%) and the positive mark-to-market adjustment of the assets (0.16%). After deducting the funding cost, the net result of the reserves in the first quarter of 2017 was negative by 2.05% (R\$24,078,606 thousand).

	International Reserves		Funding	Cost of Maintaining	
	Average Balance (R\$ thousand)	Profitability, excluding foreign exchange variation (%)	Cost (%)	International Reserves (%)	International Reserves (R\$ thousand)
1st quarter/2017	1,176,223,101	0.35	(2.40)	(2.05)	(24,078,606)
Total for the six-month period					(24,078,606)

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\$44,655,529 thousand in the first quarter of 2017.

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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Accountant – CRC-DF 24,829/O-7