

ASSETS		LIABILITIES AND EQUITY	
ASSETS IN FOREIGN CURRENCIES	<u>1,290,203,801</u>	LIABILITIES IN FOREIGN CURRENCIES	<u>96,106,233</u>
Cash and Cash Equivalents	79,021,038	Items in the Course of Collection	3,196,988
Time Deposits Placed with Financial Institutions	35,549,118	Deposits Received from Financial Institutions	2,252
Funds Under External Management	1,138,832	Financial Assets Sold Under Repurchase Agreements	34,298,150
Financial Assets Purchased Under Resale Agreements	34,332,764	Derivatives	6,505
Derivatives	40,141	Accounts Payable	12,937,052
Securities	1,078,857,712	Deposits Received from International Financial Organizations	45,664,770
Receivables	2,919,199	Other	516
Gold	8,799,690		
Investment in International Financial Organizations	49,545,307		
ASSETS IN LOCAL CURRENCY	<u>1,839,065,123</u>	LIABILITIES IN LOCAL CURRENCY	<u>2,681,386,370</u>
Cash and Cash Equivalents	50	Items in the Course of Collection	13,478
Deposits	1,539,025	Deposits Received from Financial Institutions	456,175,104
Derivatives	66,283,553	Financial Assets Sold Under Repurchase Agreements	1,148,182,279
Federal Government Securities	1,653,945,404	Derivatives	5,343,968
Receivables from the Federal Government	76,273,651	Payables to the Federal Government	1,031,049,192
Receivables	38,654,957	Accounts Payable	862,175
Property and Equipment	864,291	Deposits Received from International Financial Organizations	26,546
Other	1,504,192	Provisions	39,594,954
		Other	138,674
		CURRENCY IN CIRCULATION	<u>218,720,929</u>
		EQUITY	<u>126,844,748</u>
		Capital	139,675,451
		Revenue Reserve	6,624,205
		Revaluation Reserve	419,499
		Gains (Losses) Recognized Directly in Equity	(19,874,407)
		INCOME ACCOUNTS	<u>6,210,644</u>
		Creditor	143,082,559
		(Debtor)	(136,871,915)
TOTAL ASSETS	<u>3,129,268,924</u>	TOTAL LIABILITIES AND EQUITY	<u>3,129,268,924</u>

BANCO CENTRAL DO BRASIL
INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2017
In thousands of Reais

2

Interest income	41,010,957
Interest expenses	<u>(58,281,899)</u>
Net interest result	(17,270,942)
Gains (losses) on financial instruments classified as At fair value through profit or loss, held for trading	25,914,333
Gains (losses) on financial instruments classified as At fair value through profit or loss, by designation of the management	1,771,828
Gains (losses) from foreign currencies	(3,088,700)
Gains (losses) from monetary gold	(94,837)
Other income	1,366,449
Other expenses	(2,387,487)
NET INCOME FOR THE PERIOD	<u>6,210,644</u>



EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – September 30, 2017

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\$6,210,644 thousand in the third quarter of 2017 and, together with the result to be determined in the fourth quarter, will compose the result of the second 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\$22,162,958 thousand in the third 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

4

At September 30, 2017, 87.47% 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 2017, the international reserves presented a negative return of 3.67%, totaling 5.47% negative (R\$65,850,698 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/2017	1,204,881,628	(3.67)	(1.80)	(5.47)	(65,850,698)
Total for the six-month period					(65,850,698)

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 2017 a positive return of 0.23%, being comprised of accrued interest (0.28%) and the negative mark-to-market adjustment of the assets (0.05%). After deducting the funding cost, the net result of the reserves in the third quarter of 2017 was negative by 1.57% (R\$18,951,403 thousand).

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability, excluding foreign exchange variation (%)		(%)	(R\$ thousand)
3rd quarter/2017	1,204,881,628	0.23	(1.80)	(1.57)	(18,951,403)
Total for the six-month period					(18,951,403)

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\$38,642,523 thousand in the third quarter of 2017.

Governor: Ilan Goldfajn

Deputy governors: Carlos Viana de Carvalho, Isaac Sidney Menezes Ferreira, Maurício Costa de Moura, Otávio Ribeiro Damaso, Paulo Sérgio Neves de Souza, Reinaldo Le Grazie, Sidnei Corrêa Marques and Tiago Couto Berriel

Head of the Accounting and Financial Department: Arthur Campos e Pádua Andrade
Accountant – CRC-DF 24,829/O-7