

ASSETS		LIABILITIES	
<b>ASSETS IN FOREIGN CURRENCIES</b>	<b><u>542,939,097</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>	<b><u>31,874,406</u></b>
Cash and Cash Equivalents	20,979,161	Items in the Course of Collection	11,121,599
Time Deposits Placed with Financial Institutions	57,929,897	Deposits Received from Financial Institutions	1,158
Assets under Outsourced Management	371,862	Financial Assets Sold under Repurchase Agreement	4,934,355
Financial Assets Purchased under Resell Agreement	4,926,367	Derivatives	38,477
Derivatives	32,343	Accounts Payable	7,503,794
Debt Securities	443,188,675	Deposit Received from International Financial Organizations	8,274,634
Credits Receivables	1,941,581	Other	389
Gold	2,531,651		
Investments in International Financial Organizations	11,037,530		
Other	30		
<b>ASSETS IN LOCAL CURRENCY</b>	<b><u>818,432,524</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>	<b><u>1,174,921,372</u></b>
Cash and Cash Equivalents	379	Items in the Course of Collection	4,254,744
Deposits	617,974	Deposits Received from Financial Institutions	387,495,594
Derivatives	19,777,923	Financial Assets Sold under Repurchase Agreement	395,068,533
Debt Securities	707,848,962	Derivatives	48,278
Receivables from the Federal Government	48,050,146	Payables to the Federal Government	366,287,370
Credits Receivables	39,291,651	Accounts Payable	1,272,594
Property, Plant and Equipment	761,385	Deposit Received from International Financial Organizations	917
Other	2,084,104	Provision	20,463,451
		Other	29,891
		<b>CURRENCY IN CIRCULATION</b>	<b><u>133,099,291</u></b>
		<b>NET EQUITY</b>	<b><u>15,425,961</u></b>
		Capital	24,675,451
		Income Reserve	1,606,019
		Revaluation Reserve	460,155
		Gains (Losses) Recognized Directly in Equity	-11,315,664
		<b>INCOME ACCOUNTS</b>	<b><u>6,050,591</u></b>
		Creditor	54,077,496
		(Debtor)	-48,026,905
<b>TOTAL</b>	<b><u>1,361,371,621</u></b>	<b>TOTAL</b>	<b><u>1,361,371,621</u></b>

## INCOME STATEMENT - PERIOD FROM JANUARY TO MARCH 2011

In thousands of Reais

2

---

Interest income	23,167,032
Interest expenses	<u>(28,778,992)</u>
(=) Net interest income	(5,611,960)
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - held for trading	12,759,571
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - designated by management	184,629
Gains (losses) on foreign exchange	(1,189,555)
Other income	585,249
Other expenses	(677,343)
<b>NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs</b>	<b><u>6,050,591</u></b>

---

Governor of the Banco Central do Brasil: Alexandre Antonio Tombini

Deputy Governors: Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles,

Carlos Hamilton Vasconcelos Araújo, Luiz Awazu Pereira da Silva,

Sidnei Corrêa Marques

Head of the Accounting and Financial Department: Eduardo de Lima Rocha - Accountant - CRC-DF 12,005/O-9



# BANCO CENTRAL DO BRASIL

3

## EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – March 31, 2011

### 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, of December 31, 1964, as amended by Decree-Law 2.376, of November 25, of 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 (Complementary Law 101, of May 4, 2000:

*“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, of August 24, 2001, 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\$6,050,591 thousands in the first quarter of 2011 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\$9,398,205 thousands in the first quarter of 2011.

#### c) Cost of maintaining foreign exchange reserves - Fiscal Responsibility Law, Article 7, Paragraph 3:

On March 31, 2011, the sovereign debt securities represented 85.18% of total international reserves, as disclosed in the International Reserves and Liquidity in Foreign Currencies table, prepared in accordance with the Special Data Dissemination Standard – SDDS of the International Monetary Fund, available on the Bank’s website ([www.bcb.gov.br](http://www.bcb.gov.br)).



# BANCO CENTRAL DO BRASIL

4

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.

By this methodology, the international reserves had negative returns of 1.52% in the first quarter of 2011. Deducting the funding cost of the Bank, the net result of the reserves was negative by 3.76% (R\$ 19,158,111 thousands).

	<u>International</u> <u>Average Balance</u> <u>(R\$ thousands)</u>	<u>Reserves</u> <u>Profitability</u> <u>(%)</u>	<u>Cost of</u> <u>funding</u> <u>(%)</u>	<u>Cost of Maintaining</u> <u>International Reserves</u> <u>(%)</u>	<u>(R\$ thousands)</u>
<b>1st quarter/2011</b>	509.196.199	(1,52)	(2,24)	(3,76)	(19.158.111)

It should be noted that the exchange rate variation represents the resulting changes of international reserves translation to Real, not configuring profit or loss from a financial standpoint. Excluding this variation, therefore, international reserves recorded a positive yield of 0.06%, being composed by interest accrued (0.54%) and mark-to-market adjustments (-0.48%). Deducting the funding cost, the net result of the reserves was negative by 2.18% (R\$11,108,410 thousands) in the first quarter of 2011.

	<u>International</u> <u>Average Balance</u> <u>(R\$ thousands)</u>	<u>Reserves</u> <u>Profitability</u> <u>(%)</u>	<u>Cost of</u> <u>funding</u> <u>(%)</u>	<u>Cost of Maintaining</u> <u>International Reserves</u> <u>(%)</u>	<u>(R\$ thousands)</u>
<b>1st quarter/2011</b>	509.196.199	0,06	(2,24)	(2,18)	(11.108.410)

#### **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\$21,439,299 thousands in the 1st quarter of 2011.

#### **Governor of the Banco Central do Brasil**

Alexandre Antônio Tombini

#### **Deputy Governors**

Aldo Luiz Mendes

Altamir Lopes

Anthero de Moraes Meirelles

Carlos Hamilton Vasconcelos Araújo

Luiz Awazu Pereira da Silva

Sidnei Corrêa Marques

#### **Head of the Accounting and Financial Department**

Eduardo de Lima Rocha – Accountant – CRC-DF 12.005/O-9