

ASSETS		LIABILITIES	
<b>ASSETS IN FOREIGN CURRENCIES</b>	<b><u>492,892,911</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>	<b><u>32,260,863</u></b>
Cash and Cash Equivalents	19,526,158	Items in the Course of Collection	10,529,691
Time Deposits Placed with Financial Institutions	39,869,993	Deposits Received from Financial Institutions	1,204
Financial Assets Purchased Under Resell Agreement	7,567,291	Financial Assets Sold Under Repurchase Agreement	7,562,134
Derivatives	79,860	Derivatives	58,513
Debt Securities	414,224,164	Accounts Payable	7,613,868
Credits Receivables	1,165,095	Deposit Received from International Financial Organizations	6,494,970
Gold	2,391,918	Other	483
Investments in International Financial Organizations	8,068,432		
<b>ASSETS IN LOCAL CURRENCY</b>	<b><u>760,997,987</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>	<b><u>1,068,789,723</u></b>
Deposits	615,099	Items in the Course of Collection	2,136,106
Derivatives	27,887,623	Deposits Received from Financial Institutions	289,532,750
Debt Securities	686,019,319	Financial Assets Sold Under Repurchase Agreement	406,393,841
Receivables from the Federal Government	1,991,124	Payables to the Federal Government	350,687,283
Credits Receivables	39,900,952	Accounts Payable	1,343,066
Property, Plant and Equipment	758,567	Deposit Received from International Financial Organizations	480
Other	3,825,303	Provision	18,664,697
		Other	31,500
		<b>CURRENCY IN CIRCULATION</b>	<b><u>131,585,360</u></b>
		<b>NET EQUITY</b>	<b><u>19,694,166</u></b>
		Capital	24,675,451
		Income Reserve	1,606,019
		Revaluation Reserve	463,297
		Gains (Losses) Recognized Directly in Equity	(7,050,601)
		<b>INCOME ACCOUNTS</b>	<b><u>1,560,786</u></b>
		Creditor	54,694,476
		(Debtor)	(53,133,690)
<b>TOTAL</b>	<b><u>1,253,890,898</u></b>	<b>TOTAL</b>	<b><u>1,253,890,898</u></b>

**INCOME STATEMENT - PERIOD FROM JULY TO SEPTEMBER 2010****In thousands of Reais****2**

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Interest income	16,755,493
Interest expenses	<u>(24,334,610)</u>
(=) Net interest income	(7,579,117)
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - held for trading	11,101,406
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - designated by management	766,594
Gains (losses) on foreign exchange	(2,421,079)
Other income	424,274
Other expenses	(731,292)
<b>NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs</b>	<b><u>1,560,786</u></b>

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# BANCO CENTRAL DO BRASIL

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## EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS – September 30, 2010 (In thousands of Reais)

### FISCAL RESPONSABILITY 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 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 1010, 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 National Monetary Council – 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 surplus of R\$1,560,786 in the third quarter of 2010, that, with the result of the fourth quarter, will compose the result of the second 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 Commission, the Finances and Taxation Commission, and the Public Budget Commission), 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\$7,406,084 in the third quarter of 2010.



# BANCO CENTRAL DO BRASIL

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

The cost of maintaining the foreign exchange reserves is calculated daily as the difference between the yield on international reserves, including the exchange rate variation, and the average funding cost of the Bank.

On September 30, 2010, the sovereign debt securities represented 87,2% 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 – IMF, available on the Bank’s website ([www.bcb.gov.br](http://www.bcb.gov.br))

	<b>International Reserves</b>	<b>Cost of funding</b>	<b>Cost of Maintaining International Reserves</b>		
	<b>Average Balance</b>	<b>Profitability</b>	<b>(%)</b>	<b>(%)</b>	<b>(R\$ thousand)</b>
	<b>(R\$ thousand)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(R\$ thousand)</b>
<b>3rd quarter/2010</b>	456,154,751	(4.14)	(1.97)	(6.11)	(27,887,623)

The international reserves had negative returns of 4.14% in the third quarter of 2010, already considering the appreciation of the Real in relation to the US dollar, the currency in which a great parcel of the international reserves are denominated. Considering the funding cost of the Bank, the net result of the international reserves was negative by 6.11% (R\$27,887,623).

**d) Profitability of the securities portfolio – Fiscal Responsibility Law, Article 7, Paragraph 3:**

The profitability of the Bank’s securities portfolio, which is exclusively composed of Government securities, was R\$16,447,823 in the third 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

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