



**BANCO CENTRAL DO BRASIL**  
Administration Management  
Accounting and Financial Department

# **Financial Statements**

June 30, 2016

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM BALANCE SHEET**  
In thousands of Reais

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ASSETS	Notes	Jun 30, 2016	Dec 31, 2015	LIABILITIES AND EQUITY	Notes	Jun 30, 2016	Dec 31, 2015
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>1,270,859,508</u></b>	<b><u>1,471,172,680</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>74,864,882</u></b>	<b><u>46,367,534</u></b>
Cash and Cash Equivalents	4	71,922,223	52,681,331	Items in the Course of Collection		4,342,437	5,486,551
Time Deposits Placed with Financial Institutions	5	49,629,214	60,164,002	Deposits Received from Financial Institutions		2,282	2,776
Funds Under External Management	6	18,966,030	24,098,779	Financial Assets Sold Under Repurchase Agreements	7.1	11,433,558	4,002,380
Financial Assets Purchased Under Resale Agreements	7.1	51,737,505	57,465,756	Derivatives	8.1	49,808	5,400
Derivatives	8.1	33,501	5,053	Accounts Payable		13,058,955	15,621,696
Securities	9.1	1,016,207,313	1,239,810,314	Deposits Received from International Financial Organizations	13	45,971,497	21,244,185
Receivables		3,526,929	4,879,984	Other		6,345	4,546
Gold		9,152,597	8,935,741				
Investment in International Financial Organizations	10	49,684,196	23,131,720				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>1,558,362,630</u></b>	<b><u>1,312,701,235</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>2,420,614,234</u></b>	<b><u>2,408,539,647</u></b>
Cash and Cash Equivalents		-	5,466,720	Items in the Course of Collection		12,528,753	14,185
Deposits		1,416,440	1,360,612	Deposits Received from Financial Institutions	14	382,220,359	368,414,269
Derivatives	8.2	1,667,854	-	Financial Assets Sold Under Repurchase Agreements	7.2	1,015,330,652	967,748,493
Federal Government Securities	9.2	1,324,511,629	1,279,138,194	Derivatives	8.2	-	7,375,435
Receivables from the Federal Government	11	201,953,494	64,837	Payables to the Federal Government	11	979,858,392	1,036,601,593
Receivables	12	26,588,877	24,659,216	Accounts Payable		811,640	685,654
Property and Equipment		836,639	847,165	Deposits Received from International Financial Organizations		14,473	12,457
Other		1,387,697	1,164,491	Provisions		29,789,052	27,624,434
				Other		60,913	63,127
				<b>CURRENCY IN CIRCULATION</b>	15	<b><u>201,406,919</u></b>	<b><u>225,485,184</u></b>
				<b>EQUITY</b>	16	<b><u>132,336,103</u></b>	<b><u>103,481,550</u></b>
				Capital		139,675,451	99,675,451
				Revenue Reserve		6,624,205	6,624,205
				Revaluation Reserve		425,627	428,561
				Gains (Losses) Recognized Directly in Equity		(14,389,180)	(3,246,667)
<b>TOTAL ASSETS</b>		<b><u>2,829,222,138</u></b>	<b><u>2,783,873,915</u></b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,829,222,138</u></b>	<b><u>2,783,873,915</u></b>

The accompanying notes are an integral part of these condensed interim financial statements.

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM INCOME STATEMENT**  
**In thousands of Reais**

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	Notes	Six-month periods ended June 30	
		2016	2015
Interest income		85,697,044	71,981,583
Interest expenses		(149,454,333)	(109,566,674)
Net interest result	17	(63,757,289)	(37,585,091)
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, held for trading	18	66,374,966	61,668,711
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the management	19	3,590,315	910,067
Gains (losses) from foreign currencies	20	(22,493,792)	9,419,294
Gains (losses) from monetary gold	21	216,856	1,022,467
Other income	22	2,233,489	1,331,637
Other expenses	22	(3,472,634)	(1,582,426)
<b>NET INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.1</b>	<b>(17,308,089)</b>	<b>35,184,659</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**In thousands of Reais**

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	Notes	Six-month periods ended June 30	
		2016	2015
<b>NET INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.1</b>	<b>(17,308,089)</b>	<b>35,184,659</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>16</b>	<b>(11,142,513)</b>	<b>2,263,655</b>
<b>Items which will not be reclassified to results</b>		<b>(11,432,383)</b>	<b>2,202,461</b>
Investment in International Financial Organizations	<b>10</b>	(11,432,383)	2,202,461
<b>Items which may be reclassified to results</b>		<b>289,870</b>	<b>61,194</b>
Federal Government Securities		289,870	61,194
<b>COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.2</b>	<b>(28,450,602)</b>	<b>37,448,314</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

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In thousands of Reais

	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	RETAINED RESULTS	TOTAL EQUITY
<b>At December 31, 2015</b>	<b>16</b>	<b>99,675,451</b>	<b>6,624,205</b>	<b>428,561</b>	<b>(3,246,667)</b>	<b>-</b>	<b>103,481,550</b>
Constitution of Capital	16	40,000,000	-	-	-	-	40,000,000
Realization of Revaluation Reserves		-	-	(2,934)	-	2,934	-
Gains (Losses) Recognized Directly in Equity		-	-	-	(11,142,513)	-	(11,142,513)
Net income for the 1st half of 2016	23.1	-	-	-	-	(17,308,089)	(17,308,089)
Result to be covered by the National Treasury - 1st half of 2016	24.1	-	-	-	-	17,305,155	17,305,155
<b>At June 30, 2016</b>	<b>16</b>	<b>139,675,451</b>	<b>6,624,205</b>	<b>425,627</b>	<b>(14,389,180)</b>	<b>-</b>	<b>132,336,103</b>
<b>At December 31, 2014</b>		<b>24,675,451</b>	<b>6,624,205</b>	<b>434,672</b>	<b>(13,024,313)</b>	<b>-</b>	<b>18,710,015</b>
Constitution of Capital		25,000,000	-	-	-	-	25,000,000
Realization of Revaluation Reserves		-	-	(3,143)	-	3,143	-
Gains (Losses) Recognized Directly in Equity		-	-	-	2,263,655	-	2,263,655
Net income for the 1st half of 2015		-	-	-	-	35,184,659	35,184,659
Result transferred to the National Treasury - 1st half of 2015		-	-	-	-	(35,187,802)	(35,187,802)
<b>At June 30, 2015</b>		<b>49,675,451</b>	<b>6,624,205</b>	<b>431,529</b>	<b>(10,760,658)</b>	<b>-</b>	<b>45,970,527</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**BANCO CENTRAL DO BRASIL**  
**CONDENSED INTERIM STATEMENT OF FOREIGN CURRENCIES CASH FLOWS**  
**In thousands of Reais**

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	Notes	Six-month periods ended June 30	
		2016	2015
<b><u>Net Cash Flow from Operating Activities</u></b>		<b>40,825,985</b>	<b>(2,130,033)</b>
Interest received		7,750,094	6,146,572
Interest paid		(4,824)	(3,412)
Sale (purchase) of securities		26,422,270	(17,143,480)
(Sale) purchase of foreign currencies		(2,627,901)	1,464,455
Redemption of repurchase and reverse repurchase transactions		3,622,000	18,074,520
Redemption (placement) of time deposits		1,077,644	(12,176,386)
Redemption (placement) of funds under external management		1,553,801	(12,226)
Formation of deposit liabilities		372,733	505,846
Receipts on behalf of the National Treasury		4,796	1,046
Receipt of receivables		1,715,121	1,391,620
Receipts (payments) resulting from operations with derivatives		906,915	(394,406)
Other receipts		33,336	15,818
<b>Net Cash Flow</b>		<b>40,825,985</b>	<b>(2,130,033)</b>
<b>Changes in Cash and Cash Equivalents</b>		<b>40,825,985</b>	<b>(2,130,033)</b>
Cash and cash equivalents at the beginning of the six-month period		52,681,331	25,420,081
Cash and cash equivalents at the end of the six-month period	<b>4</b>	71,922,223	30,038,022
Effect of foreign exchange variation on cash and cash equivalents	<b>20</b>	(21,585,093)	6,747,974

The accompanying notes are an integral part of these condensed interim financial statements.

## 1 - THE BANK AND ITS ATTRIBUTIONS

The Banco Central do Brasil (BCB), established through the enactment of Law 4,595, of December 31, 1964, is an autonomous federal government institution that is part of the National Financial System (SFN) and its mission is to ensure the stability of the currency's purchasing power and a solid and efficient financial system. The BCB's head office is in Brasília, Federal District, in Setor Bancário Sul, quadra 3, bloco B and it has offices in nine other states of Brazil.

These condensed interim financial statements were analyzed by the Board of Directors, which approved, on August 17, 2016, their submission to the National Monetary Council (CMN) for the authorization of their disclosure on August 25, 2016, as established by Law 4,595 of 1964. These condensed interim financial statements are published on the BCB's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

## 2 - PRESENTATION

The BCB's condensed interim financial statements for the six-month period ended June 30, 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and follow the provisions of the International Accounting Standard (IAS) 34 – Interim Financial Reporting. Therefore, they do not include all the disclosures required for a complete set of financial statements and should be read along with the financial statements as at December 31, 2015. The same accounting policies and calculation methods are followed in these condensed interim financial statements compared to the most recent annual financial statements.

When carrying out its activities as a monetary authority, the BCB applies financial instruments which are adequate for the management of the country's international reserves and for the execution of the monetary policy. Within this context, and with the purpose of presenting more relevant information for the readers of its financial statements, the BCB divides its operations in two groups: those related to foreign currencies and those related to local currency. In the balance sheet, assets and liabilities of each group are classified in descending order regarding liquidity.

As established by Article 34 of the Fiscal Responsibility Law (Complementary Law 101 of May 4, 2000), the BCB does not issue debt or equity instruments and, therefore, is not obliged to disclose information on operating segments as provided in the IFRS 8 – Operating Segments.

## 3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the BCB, which were consistently applied to the comparative financial information, are presented below.

### 3.1. Determination of profit and loss

The BCB's profit or loss is determined semiannually on an accrual basis and, after the constitution or reversal of reserves, it is transferred to the National Treasury in the event of net income or covered by it in the event of a net loss (Notes 23.1 and 25.a).

### 3.2. Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest yield of the operations, which discounts future receipts and payments of financial assets or liabilities to their net carrying amounts, according to their contractual terms. This calculation considers all the material amounts paid or received between the parties, such as fees, commissions, discounts and premiums.

Interest income and expenses presented in the income statement include interest income and expenses of the BCB's financial assets and liabilities not classified as At Fair Value through Profit or Loss.

### 3.3. Assets and liabilities in foreign currencies

The functional and reporting currency of these condensed interim financial statements is the Brazilian Real, which represents the currency of the main economic environment in which the BCB operates. Transactions in foreign currencies are translated into Reais at the prevailing foreign exchange rate on the date of the transactions. The foreign exchange restatement referring to monetary assets and liabilities denominated in foreign currencies is calculated on a daily basis, using the closing rate of the free exchange

market, with the related gains and losses recognized, on a monthly basis, in profit or loss. The following table presents the foreign exchange rates used on the balance sheet closing date:

	Reais / currency			
	Jun 30, 2016	Dec 31, 2015	Jun 30, 2015	Dec 31, 2014
U.S. Dollar	3.2095	3.9045	3.1023	2.6559
Euro	3.5408	4.2493	3.4598	3.2264
Canadian Dollar	2.4662	2.8165	2.4868	2.2915
Pound Sterling	4.2499	5.7869	4.8782	4.1398
Australian Dollar	2.3852	2.8522	2.3897	2.1760
SDR	4.4895	5.4105	4.3630	3.8479
Yen	0.0312	0.0324	0.0254	0.0222
Swedish Krona	0.3763	0.4625	0.3740	0.3438
Danish Krone	0.4760	0.5694	0.4637	0.4334
Gold (troy ounces)	4,236.4116	4,136.0369	3,651.8446	3,178.5811

The foreign exchange rates used are those freely fixed by market agents and published by the BCB, except for the gold quotation, which is obtained from the London Stock Exchange and is translated into Reais at the U.S. Dollar exchange rate. The foreign exchange rates are calculated based on the average of the transaction quotations in the spot interbank market effectively provided by institutions accredited to carry out the purchase and sale operations of foreign currency with the BCB (dealers), excluding the two highest and the two lowest quotations.

The Special Drawing Right (SDR) is the accounting unit adopted by the International Monetary Fund (IMF) and its rate is pegged to a basket of currencies that are freely used in international transactions, currently the Euro (EUR), the Yen (JPY), the Pound Sterling (GBP) and the U.S. Dollar (USD).

### 3.4. Financial assets and liabilities

#### 3.4.1 Recognition

Financial assets and liabilities are recognized at their fair values at the time they are contracted, i.e. on the date on which the entity undertakes to purchase or sell them, and for those that are not classified as At Fair Value through Profit or Loss, this amount includes all the costs incurred in the transaction.

The BCB enters into operations in which it does not substantially receive all the risks and benefits of financial assets traded, as in resale agreements. In this situation, the assets traded are not recognized in the accounting and the amounts invested are recorded in the balance sheet at the amounts paid.

#### 3.4.2 Derecognition

Financial assets are derecognized when:

- the rights to receive their cash flows expire, due to financial settlement, lack of expected settlement or in the event of loss of the right of realization; or
- the BCB transfers the rights to receive the cash flows, substantially transferring all the risks and benefits of ownership. In the cases in which there is no substantial retention or transfer of all the risks and benefits of ownership, the financial assets are derecognized only when there is no retention of control over the transferred financial assets.

Financial liabilities are derecognized when the obligations are settled, cancelled or expired.

The BCB carries out operations in which it transfers the assets recognized on its balance sheet, but it remains with control through the retention of risks and the right to income and expenses. The main transactions with these characteristics are repurchase agreements and securities lending operations.



### **3.4.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and recorded at net value when there is the legal right and the intention to settle the resulting payments and receipts on a net basis. Transactions with these characteristics are carried out in the Local Currency Payment System (SML) and the Reciprocal Credit and Payment Agreement (CCR), presented in receivables or accounts payable, according to the balance determined on the balance sheet closing date.

### **3.4.4 Classification of financial instruments**

On the date of the contracting, financial assets are classified into one of the following categories: At Fair Value through Profit or Loss, Held-to-maturity, Loans and Receivables or Available-for-sale. After the initial recognition, assets are valued in accordance with the classification made. Financial liabilities are not subject to classification and are measured at amortized cost, except for derivative financial liabilities, which are measured at fair value through profit or loss.

#### **a) At Fair Value through Profit or Loss**

A financial instrument is classified as At Fair Value through Profit or Loss, with gains and losses resulting from changes in the fair value recognized in the income statement, in the event of one of the following situations:

- if there is the intention to trade it in the short-term;
- if it is a derivative financial instrument; or
- through Management's decision, when this classification presents more relevant information and provided that these assets are part of a portfolio that is valued and managed based on their fair value.

#### **b) Held-to-maturity**

This category comprises the non-derivative financial assets for which the entity has the intention and ability to hold until maturity. These assets are carried at amortized cost and the interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

#### **c) Loans and Receivables**

This category includes non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost and the interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

#### **d) Available-for-sale**

This category records the non-derivative financial assets that are not classified in the other categories, since Management does not have a specific intention to sell them. These assets are measured at fair value, with gains and losses recorded in equity – they are recognized in profit or loss upon their effective realization –, while the interest, calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

### **3.4.5 Measurement**

The fair value is the market value disclosed by the main depository trust companies (custodian) and providers of economic information. For instruments with no active market, the fair value is calculated using pricing models, which make maximum use of objective market inputs, including the value of the most recent tradings, the discounted cash flow and the fair value of similar financial instruments. The models used are assessed by a multi-departmental committee, which is also responsible for suggesting new methodologies or improvements.

The amortized cost is the value on the date of recognition, adjusted by the contractual interest using the effective interest rate, less any payments and impairment losses.

The following table presents a summary of the main financial instruments and their classifications:

<b>Assets in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized cost
Time Deposits Placed with Financial Institutions	Loans and Receivables	Amortized cost
Funds Under External Management	At Fair Value through Profit or Loss	Fair value - Manager
Financial Assets Purchased Under Resale Agreements	Loans and Receivables	Amortized cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair value - Stock exchanges
Derivatives - Forward	At Fair Value through Profit or Loss	Fair value - Internal Models/Bloomberg
Securities	At Fair Value through Profit or Loss	Fair value - Bloomberg
Receivables	Loans and Receivables	Amortized cost
Investment in International Financial Organizations	Available-for-sale	Fair value - Redemption value in Reais

<b>Assets in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized cost
Deposits	Loans and Receivables	Amortized cost
Financial Assets Purchased Under Resale Agreements	Loans and Receivables	Amortized cost
Derivatives - Swap	At Fair Value through Profit or Loss	Fair value - Securities, Commodities and Futures Exchange
Derivatives - Foreign Exchange Equalization	At Fair Value through Profit or Loss	Fair value - BCB
Federal Government Securities	Held-to-maturity	Amortized cost
Receivables from the Federal Government	Loans and Receivables	Amortized cost
Receivables - Institutions Under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair value - Discounted cash flow
Receivables - Other	Loans and Receivables	Amortized cost

<b>Liabilities in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized cost
Deposits Received from Financial Institutions	Other liabilities	Amortized cost
Financial Assets Sold Under Repurchase Agreements	Other liabilities	Amortized cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair value - Stock exchanges
Derivatives - Forward	At Fair Value through Profit or Loss	Fair value - Internal Models/Bloomberg
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

<b>Liabilities in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized cost
Deposits Received from Financial Institutions	Other liabilities	Amortized cost
Financial Assets Sold Under Repurchase Agreements	Other liabilities	Amortized cost
Derivatives - Swap	At Fair Value through Profit or Loss	Fair value - Securities, Commodities and Futures Exchange
Derivatives - Foreign Exchange Equalization	At Fair Value through Profit or Loss	Fair value - BCB
Payables to the Federal Government	Other liabilities	Amortized cost
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

### 3.4.6 Impairment of financial assets

The BCB conducts an evaluation, at least every six-months, in order to verify if there is evidence of impairment of its financial assets.

The BCB considers as objective evidence of impairment only the events occurring after the initial recognition of the asset that had an impact on the estimated cash flow and only when this impact can be reliably estimated. The BCB considers, for example, the following events:

- financial difficulties of the issuer or debtor;
- default of any payment, whether related to the principal or interest;
- renegotiation or discounts granted;
- extrajudicial liquidation, bankruptcy and financial reorganization; and
- disappearance of an active market, due to financial difficulties of the issuer.

If there is objective evidence of impairment for assets carried at amortized cost, the amount of the loss is calculated as the difference between the carrying value of the asset on the date of measurement and the value that is expected to be received, adjusted to present value by the contractual rates. The carrying amount of the asset is adjusted through the use of an allowance account and the amount of the loss is recognized in the income statement.

The impairment of financial assets is assessed individually by a multi-departmental committee, which is responsible for verifying the appropriateness of the values and the methodologies used.

For the assets classified as Available-for-sale, when there is objective evidence of impairment, the accumulated loss recognized in equity is transferred to the income statement, even if the asset has not been effectively realized.

When an asset is considered uncollectible, it is written off against the allowance account. Any subsequent recoveries of amounts previously written-off are recognized as income.

If, in subsequent periods, there is a change in the conditions of receipt of the asset and this change results in a reversal of an impairment loss recognized previously, the amount of the reversal is recorded as a gain, except for equity investments, where previously recognized impairment cannot be reversed.

### **3.4.7 Derivatives**

Derivatives are recognized at fair value as from the date they are contracted and are presented as assets, when the fair value is positive, and as liabilities, when the fair value is negative.

The BCB does not apply hedge accounting as established by IAS 39 – Financial Instruments: Recognition and Measurement and, accordingly, recognizes all gains and losses in the income statement.

## **3.5. Gold**

Since the IFRS do not establish a specific accounting treatment for investments in monetary gold held by central banks, the BCB understands that the most appropriate treatment for this type of asset would be the one arising from the application of the Conceptual Framework for Financial Reporting issued by the IASB.

Accordingly, the investments in monetary gold are recognized at fair value upon their contracting, that is, on the date on which the entity undertakes to make the purchase or sale. After initial recording, the gains and losses arising from the changes in fair value, calculated by the quotation obtained from the London Stock Exchange, are recognized in the income statement on an accrual basis.

## **3.6. Property and equipment**

This group of accounts consists of land, buildings and equipment acquired by the BCB for its own use, as well as the collection of works of art and precious metals, except monetary gold (Note 3.5), and is recorded at cost, less accumulated depreciation, when applicable. All the expenses directly attributable to the acquisition or the construction of the asset are included in the cost. Further expenditures are only added to the cost of assets if it is probable that future economic benefits will flow to BCB arising from this increase, and that its cost may be reliably measured. Other expenditures for maintenance and repair are recognized in the income statement.

Land, works of art and precious metals are not depreciated. The other assets are depreciated according to the straight-line method, recognizing their cost over the estimated useful life of the assets, as follows:

- a) buildings: 62.5 years;
- b) equipment and furniture: 5 years for computer equipment and vehicles and 10 years for other fixed assets.

## **3.7. Provisions**

### **3.7.1 Litigation**

The BCB recognizes a provision when an outflow of economic resources is probable and this amount can be reliably estimated. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

### **3.7.2 Post-employment benefits**

The BCB sponsors post-employment benefit plans with respect to retirement, pension and health care benefits, in the form of defined benefit and defined contribution.

#### **a) Defined benefit**

A defined benefit plan is one where the value of the benefits to which the employees have the right upon retirement is previously established, considering one or more factors, such as age and time of contribution.

The liability recognized in the balance sheet is the present value of the obligations less the fair value of the assets of the plans. The value of the obligations is calculated on an annual basis by independent actuaries. When the fair value of the plan assets exceeds the present value of the obligations, resulting in an actuarial surplus, a corresponding asset is recognized in the balance sheet, to the extent of the expected benefits.

Actuarial gains and losses resulting from adjustments based on experience and on changes in actuarial assumptions are fully recognized in equity, as other comprehensive income.

#### **b) Defined contribution**

A defined contribution plan is one under which an entity pays fixed contributions into a separate entity (fund), without any legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In this classification, the contributions made by the BCB are fully recognized as an expense.

### **3.8. Use of judgements, assumptions and estimates**

The preparation of financial statements under the IFRS requires judgments, assumptions and estimates which affect the recognized amounts of assets and liabilities at the reporting date, as well as the amounts of income, expenses, gains and losses during the periods presented and the subsequent periods, since the results effectively realized may be different from those calculated according to such judgments and estimates.

Adopted estimates are continuously analyzed, taking into consideration past experience as well as other factors considered as relevant, reflecting the best current estimates made in accordance with the applicable standard. Adjustments made are recognized in the period when the estimate is reviewed, with prospective effects.

Considering that, in many situations, there are alternatives to the accounting treatment, the results disclosed by the BCB might be different if another treatment had been chosen. Management considers that the choices are appropriate and that the financial statements properly present the financial position of BCB as well as the result of its operation in all material aspects.

The most relevant applications of exercise judgment and use of assumptions and estimates, which impact the amounts of assets and liabilities, are as follows:

#### **a) Fair value of financial assets and liabilities not quoted in an active market**

The fair value of financial assets and liabilities which are not quoted in an active market is established by using pricing models, which make maximum use of objective market inputs. When these inputs are not available, judgment is required for determining the fair value. The methodologies for calculation of the fair value are described in Note 3.4.5.

#### **b) Impairment of financial assets**

The BCB periodically reviews its financial assets in order to assess if impairment losses are to be recognized in the income statement. This process is subject to many estimates and judgments, as detailed in Note 3.4.6.

### **c) Provisions for litigation**

Provisions for litigation are only accounted when the BCB's legal department considers the risk of loss as probable and provided that resulting disbursements can be reliably estimated (Note 3.7.1).

### **d) Post-employment benefits**

Current amounts of assets and liabilities from post-employment benefit plans sponsored by the BCB depend on factors established based on actuarial calculations, which use a number of assumptions. These assumptions are periodically reviewed in order to guarantee the consistency of the actuarial calculations and the carrying amount of assets and liabilities recognized.

### **e) Statement of foreign currencies cash flows**

The purpose of a statement of cash flows is to provide information on the capacity of an entity to generate cash and cash equivalents as well as the necessity of using such cash flows in its activities. Considering that the BCB is the institution responsible for the liquidity of the financial system and, therefore, the holder of the right to issue currency, the Management understands that the statement of cash flows referring to its operations should be limited to the transactions in foreign currencies, since these are outside its prerogative to issue.

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash, demand deposits and very short-term time deposits in foreign currencies (Note 4).

## **3.9. Tax immunity**

Pursuant to the Brazilian Federal Constitution, the BCB is exempt from taxes on its equity and on the income and services related to its activities. However, it is obliged to collect fees and contributions and make tax withholdings referring to the payments of services provided by third parties.

Because of its tax immunity, the BCB is not subject to the requirements of IAS 12 – Income Taxes.

## **4 - CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES**

	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
Cash	117,388	379,836
Demand deposits	15,352,697	16,140,501
Very short-term time deposits	56,452,138	36,160,994
<b>Total</b>	<b>71,922,223</b>	<b>52,681,331</b>

The amounts in foreign currencies mainly correspond to the portion of international reserves held by the BCB as demand deposits and very short-term time deposits, in accordance with its risk management policy. International reserves are the monetary assets available for coverage of imbalances in payments and, in some situations, for other financial requirements of the monetary authorities of a country.

The variation in the period was mainly due to the increase in investments, taking into consideration the diversification of the investment portfolio of international reserves, which was compensated in part by the effects of the appreciation of the Real against the U.S. Dollar (Note 3.3).

## **5 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS**

These comprise the portion of international reserves held by the BCB as fixed time deposits in international financial institutions, in accordance with its risk management policy, amounting to R\$49,629,214 (R\$60,164,002 at December 31, 2015).

The variation in the balance of these deposits was basically due to the effects of the appreciation of the Real against the U.S. Dollar (Note 3.3) in the period.

## 6 - FUNDS UNDER EXTERNAL MANAGEMENT

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
<b>Fund managed by the BIS</b>	<b><u>1,143,465</u></b>	<b><u>1,343,851</u></b>
<b>External Management Program</b>	<b><u>17,822,565</u></b>	<b><u>22,754,928</u></b>
<b>Securities</b>	<b>14,519,822</b>	<b>17,731,178</b>
Up to 1 year	3,796,908	4,267,564
1 - 5 years	7,821,746	9,586,528
> 5 years	2,901,168	3,877,086
<b>Index funds</b>	<b>2,022,258</b>	<b>3,822,169</b>
Equity instruments	1,824,627	3,822,169
Fixed income	197,631	-
<b>Cash/receivables</b>	<b>1,280,485</b>	<b>1,201,581</b>
<b>Total</b>	<b><u>18,966,030</u></b>	<b><u># 24,098,779</u></b>

The fund managed by the Bank for International Settlements (BIS) refers to the investment placed in the BIS Investment Pools (BISIPs), funds targeted exclusively for the investment of international reserves of central banks, including the BISIP ILF1 (US Inflation-protected Government Securities Fund) and the BISIP CNY (Domestic Chinese Sovereign Fixed Income Fund).

The Program for External Management of International Reserves (PGER) corresponds to the outsourcing of the management of a portion of the reserves to international institutions specialized in portfolio management (external managers), with the main objective of transferring know-how to the BCB.

These institutions receive a management fee, established in the contract, and are evaluated based on the benchmark portfolio defined by the BCB, which also defines guidelines for the investment of the funds. The assets of the PGER are held on behalf of the BCB, under the responsibility of a global custodian selected for this specific purpose, therefore without the credit risk of the manager.

The variation in the period is mainly due to the effects of the foreign exchange variation arising from the appreciation of the Real against the U.S. Dollar (Note 3.3) and to the fair value adjustment of the investments.

## 7 - FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS/SOLD UNDER REPURCHASE AGREEMENTS

These are transactions in which assets are purchased in a lump sum under an agreement to be sold on a future date (reverse repo) or are sold under an agreement to be repurchased at a future date (repo). In the foreign market, the BCB normally contracts with the same counterparty a repo along with a reverse repo, where the cash settlement of these operations occurs independently.

In these operations, considering their characteristics, the assets traded are recorded as collaterals. The exceptions are in the event of spot purchases (sales) of foreign currency combined with the forward resale (repurchase), since cash settlement occurs only against payment on the date agreed upon, that is, the actual receipt/delivery of the traded currency settles the operation.

## 7.1. In foreign currencies

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
<b>Financial Assets Purchased Under Resale Agreements</b>	<b><u>51,737,505</u></b>	<b><u>57,465,756</u></b>
<b>Foreign Market</b>	<b>11,394,090</b>	<b>4,071,719</b>
Securities	9,843,910	-
Currencies	1,550,180	4,071,719
Assets granted as collateral	9,875,171	-
<b>Domestic Market</b>	<b>40,343,415</b>	<b>53,394,037</b>
Currencies	40,343,415	53,394,037
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b><u>11,433,558</u></b>	<b><u>4,002,380</u></b>
<b>Foreign Market</b>	<b>11,433,558</b>	<b>4,002,380</b>
Securities	9,843,258	-
Currencies	1,590,300	4,002,380
Assets granted as collateral	9,668,682	-

The variation in the balance of repos and reverse repos in foreign currencies carried out in the foreign market was due to the increase in investments in transactions involving securities, taking into consideration the diversification of the investment portfolio of international reserves. Regarding transactions carried out in the domestic market, the decrease is related to the BCB's activity in the interbank foreign exchange market. This decrease is a result of the non-renewal of a portion of the transactions which fell due in the period and of the effects of the appreciation of the Real against the U.S. Dollar (Note 3.3).

## 7.2. In local currency

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b><u>1,015,330,652</u></b>	<b><u>967,748,493</u></b>
Securities	967,260,483	913,279,784
Foreign Currencies	48,070,169	54,468,709
<b>Assets granted as collateral</b>	<b>968,898,597</b>	<b>961,694,658</b>
Freely tradeable	185,486,656	186,808,888
Not freely tradeable	783,411,941	774,885,770

The changes in the balance of repos transactions reflect the increase of liquidity collected by the BCB, mainly due to the payment of interest by the BCB on its open market transactions (Note 17) and to the insertion of funds in the banking system as a result of the contraction of the currency in circulation (Note 15) and of the payment of obligations by the Federal Government. This effect was diminished by the receipt of adjustments in foreign exchange swap transactions (Notes 8.2.1 and 23.1). In addition, the BCB activities in the interbank foreign exchange market led to a decrease in these operations.

## 8 - DERIVATIVES

### 8.1. In foreign currencies

In the management of the international reserves, the BCB uses derivatives in its routine operations for the purpose of implementing the investment strategy previously established by the Committee on Investment Strategy or managing exposure to market risk, aiming to achieve security, liquidity and profitability.

The notional amounts of the contracts in force and their respective fair values per type of operation and per maturity are presented in the tables below.

**At Jun 30, 2016**

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
<b>Forward</b>				
1 - 6 months			33,501	49,808
Euro	927,568	927,568	33,501	49,808
U.S. Dollar	962,850	979,956	-	-
<b>Index futures</b>				
1 - 6 months			-	-
Pound Sterling	-	28,114	-	-
U.S. Dollar	6,769,209	-	-	-
<b>Securities futures</b>				
1 - 5 years			-	-
U.S. Dollar	-	461,485	-	-
Australian Dollar	505,637	-	-	-
> 5 years			-	-
U.S. Dollar	442,703	1,086,549	-	-
Australian Dollar	-	693,243	-	-
<b>Total</b>			<b>33,501</b>	<b>49,808</b>

**At Dec 31, 2015**

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
<b>Forward</b>				
1 - 6 months			5,053	5,400
Yen	980,359	980,359	-	-
U.S. Dollar	976,125	977,445	5,053	5,400
<b>Index futures</b>				
1 - 6 months			-	-
Euro	2,091,930	-	-	-
<b>Securities futures</b>				
1 - 6 months			-	-
U.S. Dollar	-	196,475	-	-
Australian Dollar	-	628,117	-	-
1 - 5 years			-	-
U.S. Dollar	24,451,765	-	-	-
<b>Total</b>			<b>5,053</b>	<b>5,400</b>

The derivatives balance in foreign currencies refers only to the adjustments of the currency forward transactions, considering that the changes in fair value of futures contracts are settled on a daily basis through a margin account.



## 8.2. In local currency

### 8.2.1 Swap

In the execution of the monetary and foreign exchange policy, the BCB may perform swaps, referenced in interest rates and in foreign exchange variation, for the purpose of providing foreign exchange hedge for financial institutions and other economic agents.

These operations are contracted through holding auctions in the BCB's electronic system and are recorded in the Securities, Commodities and Futures Exchange (BM&FBovespa), in the form of a standard agreement.

The BCB makes guarantee margin deposits in federal government securities, at the prices adopted in repos and reverse repos. On a daily basis, margin calls or returns are carried out, depending on the swap variations, as established by BM&FBovespa, which assumes all the credit risk arising from the swap operations.

The agreements may be of the ID x U.S. Dollar Swap with Reset (SCC) type, the object of negotiation of which is the difference between the effective interest rate of Interbank Deposits (ID) and the variation of the foreign exchange rate in relation to the U.S. Dollar, or they can be of the U.S. Dollar Swap with Reset Referencing One-Day Repurchase Agreements (SCS) type, in which the object of negotiation is the difference between the effective interest rate of the daily financing calculated at the Special System for Settlement and Custody (Selic rate) and the variation of the foreign exchange rate in relation to the U.S. Dollar.

In the long position of these agreements, the BCB is on the asset side in a domestic interest rate (Selic or ID rate), and on the liability side in foreign exchange variation plus exchange coupon, which is a representative interest rate in U.S. Dollars. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus exchange coupon and on the liability side in a domestic interest rate (Selic or ID rate). These contracts have a notional value equivalent to US\$ 50 thousand and daily financial adjustment.

The notional values and the related fair values per type of operation and per maturity are presented in the table below:

#### At Jun 30, 2016

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	35,489,154	(35,489,154)	-	-	-
1 - 6 months	166,795,652	(41,944,061)	124,851,591	1,084,576	-
6 - 12 months	74,590,937	-	74,590,937	583,278	-
<b>Total</b>	<b>276,875,743</b>	<b>(77,433,215)</b>	<b>199,442,528</b>	<b>1,667,854</b>	<b>-</b>

#### At Dec 31, 2015

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	41,756,955	-	41,756,955	-	168,474
1 - 6 months	195,349,920	-	195,349,920	-	3,576,893
6 - 12 months	189,515,563	-	189,515,563	-	3,158,402
1 - 5 anos	37,267,412	-	37,267,412	-	471,666
<b>Total</b>	<b>463,889,850</b>	<b>-</b>	<b>463,889,850</b>	<b>-</b>	<b>7,375,435</b>

In the first half of 2016, the result of the foreign exchange swaps was R\$78,706,303 positive (R\$37,026,026 negative in the first half of 2015 – Note 23.1).

## **8.2.2 Foreign exchange equalization**

The foreign exchange equalization operation between the National Treasury and the BCB was established by Law 11,803, of November 5, 2008, for the purpose of providing greater transparency to the results of the operations of the monetary authority and reducing the volatility of its results, arising from the mismatch between the foreign currency assets and liabilities.

Through foreign exchange equalization, which presents characteristics similar to a swap, the carrying cost of international reserves (represented by the difference between the profitability of the reserves and the BCB's average funding cost) and the result of the foreign exchange swaps performed in the domestic market are transferred to the Federal Government through the National Treasury. These amounts are calculated on a daily basis and the balance payable or receivable is calculated on the last working day of the half-year, and will be settled financially according to the same rules established for the transfer or coverage of the results (Notes 23.1 and 25.a).

In the first half of 2016, the result of the foreign exchange equalization operation was R\$184,645,409 positive (R\$46,406,630 negative in the first half of 2015 – Note 24.1).

### **a) Equalization of the carrying cost of the international reserves**

The BCB assumes an asset position with respect to the funding cost of the international reserves, represented by the funding rate of the total liabilities, against a liability position in foreign exchange variation and interest of the international reserves. As a result, the equalization operates as a foreign exchange and interest rate economic hedge for the BCB, reducing its exposure in foreign currency and assuring coverage of the maintenance cost of the reserves.

### **b) Equalization of the foreign exchange swaps conducted in the domestic market**

The BCB performs with the National Treasury, within the mechanism of foreign exchange equalization, an operation with characteristics opposite to the foreign exchange swaps performed in the domestic market, attaining a perfect economic hedge, since the notional amounts and the rates are identical, but with opposite positions.

Through this operation, the exchange swaps carried out in the domestic market do not represent foreign exchange or interest rate exposure for the BCB.

## 9 - SECURITIES

### 9.1. In foreign currencies

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
<b>Unrestricted securities</b>	<b><u>1,004,119,873</u></b>	<b><u>1,239,810,314</u></b>
1 month	8,525,368	4,161,582
1 - 6 months	65,549,650	81,669,009
6 - 12 months	88,974,473	98,469,775
1 - 5 years	782,393,954	990,399,446
> 5 years	58,676,428	65,110,502
<b>Securities subject to repurchase agreements</b>	<b><u>9,668,682</u></b>	<b><u>-</u></b>
1 month	320,936	-
1 - 6 months	3,381,420	-
6 - 12 months	1,128,876	-
1 - 5 years	4,837,450	-
<b>Securities granted as collateral</b>	<b><u>6,152</u></b>	<b><u>-</u></b>
1 - 5 years	6,152	-
<b>Securities subject to definitive sale operations pending settlement</b>	<b><u>2,412,606</u></b>	<b><u>-</u></b>
6 - 12 months	1,769,204	-
1 - 5 years	643,402	-
<b>Total</b>	<b><u>1,016,207,313</u></b>	<b><u>1,239,810,314</u></b>

These are fixed rate securities and securities remunerated by variable coupon or by the variation in price indexes plus interest, issued by national treasuries, supranational or multilateral organizations and agencies, acquired by the BCB pursuant to its investment policy. They form part of the international reserves and their main purposes are to diversify the types of investments and risks, to increase profitability and to maintain different levels of liquidity.

These securities are classified as At Fair Value through Profit or Loss. The table below presents the amortized cost and the fair value of these assets:

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
Amortized cost	1,005,687,161	1,239,443,717
Fair value adjustment	10,520,152	366,597
<b>Carrying amount</b>	<b><u>1,016,207,313</u></b>	<b><u>1,239,810,314</u></b>

The variation in the portfolio of securities in foreign currencies was mainly due to the effects of the appreciation of the Real against the U.S. Dollar (Note 3.3), the currency in which a significant part of this portfolio is denominated.

## 9.2. In local currency

At Jun 30, 2016

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Unrestricted securities</b>	<b>47,064,559</b>	<b>1,246,429</b>	<b>31,985,500</b>	<b>142,745,443</b>	<b>90,292,081</b>	<b>313,334,012</b>
Zero Coupon Fixed Rate Bill (LTN)	47,064,559	76,902	1,064,236	24,585,990	-	72,791,687
Zero Coupon Floating Rate Bill (LFT)	-	1,065,570	-	42,042,274	-	43,107,844
IPCA - Consumer Price-Index Note (NTN-B)	-	103,957	3,874,135	12,133,297	16,498,180	32,609,569
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	27,047,129	63,983,882	73,793,901	164,824,912
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>93,591,314</b>	<b>71,440,423</b>	<b>390,637,130</b>	<b>413,229,730</b>	<b>968,898,597</b>
Zero Coupon Fixed Rate Bill (LTN)	-	52,840,447	37,420,272	222,629,099	-	312,889,818
Zero Coupon Floating Rate Bill (LFT)	-	7,258,154	-	59,877,371	109,591,407	176,726,932
IPCA - Consumer Price-Index Note (NTN-B)	-	33,492,713	30,570,170	93,896,988	273,833,292	431,793,163
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	3,449,981	14,233,672	29,805,031	47,488,684
<b>Securities granted as loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,905</b>	<b>48,905</b>
IPCA - Consumer Price-Index Note (NTN-B)	-	-	-	-	48,905	48,905
<b>Securities granted as collateral</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,229,911</b>	<b>-</b>	<b>42,229,911</b>
Zero Coupon Floating Rate Bill (LFT)	-	-	-	42,229,911	-	42,229,911
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163</b>	<b>41</b>	<b>204</b>
National Treasury Notes - Series P (NTN-P)	-	-	-	163	41	204
<b>Total</b>	<b>47,064,559</b>	<b>94,837,743</b>	<b>103,425,923</b>	<b>575,612,647</b>	<b>503,570,757</b>	<b>1,324,511,629</b>

At Dec 31, 2015

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Unrestricted securities</b>	<b>65,025,976</b>	<b>224,963</b>	<b>535,044</b>	<b>56,065,425</b>	<b>122,804,247</b>	<b>244,655,655</b>
Zero Coupon Fixed Rate Bill (LTN)	65,025,976	224,963	437,091	11,335,277	-	77,023,307
Zero Coupon Floating Rate Bill (LFT)	-	-	7	1,649,113	7,013,198	8,662,318
IPCA - Consumer Price-Index Note (NTN-B)	-	-	97,946	420,095	1,132,388	1,650,429
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	-	42,660,940	114,658,661	157,319,601
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>38,168,903</b>	<b>134,475,255</b>	<b>397,802,180</b>	<b>391,248,320</b>	<b>961,694,658</b>
Zero Coupon Fixed Rate Bill (LTN)	-	38,168,903	94,752,694	216,760,636	-	349,682,233
Zero Coupon Floating Rate Bill (LFT)	-	-	7,798,960	44,489,268	79,993,364	132,281,592
IPCA - Consumer Price-Index Note (NTN-B)	-	-	31,923,601	128,508,578	270,495,767	430,927,946
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	-	8,043,698	40,759,189	48,802,887
<b>Securities granted as collateral</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,787,685</b>	<b>-</b>	<b>72,787,685</b>
Zero Coupon Floating Rate Bill (LFT)	-	-	-	72,787,685	-	72,787,685
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>188</b>	<b>196</b>
National Treasury Notes - Series P (NTN-P)	-	-	-	8	188	196
<b>Total</b>	<b>65,025,976</b>	<b>38,393,866</b>	<b>135,010,299</b>	<b>526,655,298</b>	<b>514,052,755</b>	<b>1,279,138,194</b>

The BCB manages its portfolio so as to have adequate instruments available for the execution of monetary policy, i.e. the carrying out of purchase and sales operations for securities, either definitively or as a firm commitment. The breakdown of this portfolio, therefore, tends to accompany the profile of the federal government debt securities held by the market, where, for this, as the securities fall due, the BCB recomposes its portfolio through purchases in public offerings by the National Treasury, where these operations are always carried out at the average price paid by the other market players.

The characteristics of the securities held in the BCB's portfolio are as follows:

- Zero Coupon Fixed Rate Bill (LTN): fixed interest rate set by a discount on the face value;
- Zero Coupon Floating Rate Bill (LFT): floating interest rate set by the adjusted average rate of the daily financing obtained in the Selic (Selic rate);
- IPCA - Consumer Price-Index Note (NTN-B): floating interest rate set by the Amplified National Consumer Price Index (IPCA), with semiannual payment of a coupon interest rate of 6% p.a.;
- Plain Vanilla Fixed Rate Note (NTN-F): fixed interest rate set by a discount on the face value, with semiannual payment of a coupon interest rate of 10% p.a.;

- National Treasury Notes - Series P (NTN-P): registered, non-negotiable securities, adjusted by the Referential Rate (TR), plus interest of 6% p.a. upon redemption.

The variation in the portfolio of federal government securities, as detailed in Note 24.1, was due to the accrual of interest (Note 17) and the issuance of securities by the National Treasury, in accordance with Law 11,803, of 2008, for the recovery of the BCB's portfolio (Note 15), partially offset by the net redemption of securities in the period.

## 10 - INVESTMENT IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The investment of the BCB in international financial organizations consists of quotas of the IMF (2.31% of the Fund's equity) and shares of the BIS (0.55% of the capital). The percentage of the capital of these organizations held by the BCB does not represent control or a significant influence in their management or in the decisions of these organizations, which determines their accounting in accordance with IAS 39.

These assets are classified as Available-for-sale and their fair value is expressed by the value, in Reais, of Brazil's investment in the organizations.

	Jun 30, 2016	Dec 31, 2015
International Monetary Fund	49,572,507	22,997,118
Bank for International Settlements	111,689	134,602
<b>Total</b>	<b>49,684,196</b>	<b>23,131,720</b>

The variation of the balance in the period was due to the increased Brazil's investment in the IMF, from 1.78% to 2.31%, in view of the 14th General Quota Review, whose conditions for effectiveness were met in the beginning of 2016. This effect was partially offset by the negative fair value adjustment (Note 16), considering the appreciation of the Real against the SDR (Note 3.3).

## 11 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Jun 30, 2016	Dec 31, 2015
Result to be covered by the National Treasury	17,305,155	-
Foreign exchange equalization result	184,645,409	-
Remuneration of the National Treasury Operating Account to be incorporated	-	62,940
Amounts to be offset or refunded	2,930	1,897
<b>Total</b>	<b>201,953,494</b>	<b>64,837</b>

Payables to the Federal Government	Jun 30, 2016	Dec 31, 2015
National Treasury Operating Account	977,485,090	881,932,081
Result to be transferred to the National Treasury	-	41,524,507
Foreign exchange equalization result	-	110,938,091
Remuneration of the National Treasury Operating Account to be incorporated	2,306,814	2,137,732
Amounts payable	66,488	69,182
<b>Total</b>	<b>979,858,392</b>	<b>1,036,601,593</b>

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are described in Note 24.1.

The increase in receivables from the Federal Government was mainly due to the result of the first half of 2016, including foreign exchange equalization, to be covered by the National Treasury. In the case of payables to the Federal Government, the variations are related to the behavior of the balance of the

National Treasury Operating Account in the period (Note 24.1), highlighting the incorporation of the transferred results, including foreign exchange equalization.

## 12 - RECEIVABLES IN LOCAL CURRENCY

### At Jun 30, 2016

	Amortized cost	Fair value adjustment	Carrying amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>39,178,099</b>	<b>(14,709,830)</b>	<b>24,468,269</b>
Banco Nacional - Under Extrajudicial Liquidation	28,651,069	(10,003,001)	18,648,068
Banco Econômico - Under Extrajudicial Liquidation	10,148,683	(4,446,949)	5,701,734
Banco Banorte - Under Extrajudicial Liquidation	378,347	(259,880)	118,467
<b>Loans and Receivables</b>	<b>2,120,608</b>	<b>-</b>	<b>2,120,608</b>
Transfer of resources related to rural credit	1,692,199	-	1,692,199
Centrus	281,049	-	281,049
Other	147,360	-	147,360
<b>Total</b>	<b>41,298,707</b>	<b>(14,709,830)</b>	<b>26,588,877</b>

### At Dec 31, 2015

	Amortized cost	Fair value adjustment	Carrying amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>39,309,262</b>	<b>(16,810,784)</b>	<b>22,498,478</b>
Banco Nacional - Under Extrajudicial Liquidation	28,719,939	(11,742,105)	16,977,834
Banco Econômico - Under Extrajudicial Liquidation	10,196,056	(4,748,998)	5,447,058
Banco Banorte - Under Extrajudicial Liquidation	393,267	(319,681)	73,586
<b>Loans and Receivables</b>	<b>2,160,738</b>	<b>-</b>	<b>2,160,738</b>
Transfer of resources related to rural credit	1,662,254	-	1,662,254
Centrus	355,537	-	355,537
Other	142,947	-	142,947
<b>Total</b>	<b>41,470,000</b>	<b>(16,810,784)</b>	<b>24,659,216</b>

### 12.1. At Fair Value through Profit or Loss – Designation

This refers basically to the BCB's receivables from institutions under liquidation originating from financial assistance operations (Program of Incentives to the Restructuring and Strengthening of the National Financial System – Proer) and other operations, such as overdrafts in the Banking Reserves account, negative balance in CCR operations and time deposit.

Based on Law 12,249, of June 11, 2010, the BCB's credits with the institutions under liquidation became payable in cash or in installments, at the request of the debtor, with discounts from 25% to 45% on the charges. The balance at June 30, 2016 corresponds to the fair value of the credits that were subject to installment payment, as set forth in the referred legal instrument.

For the Proer contracts, the amount of installments is restated according to the contractual charges, as established in the Program's legislation. Pursuant to the contracts, these charges correspond to the average cost of securities and credit rights pledged in guarantee, plus 2% p.a. As regards to the contracts related to the remaining debt, the amount of each monthly installment is exclusively restated through the application of the accumulated monthly TR, according to Article 9, main clause, of Law 8,177, of March 1, 1991, with the wording given by Law 8,218, of August 29, 1991. In case the extrajudicial liquidation regime is terminated, there is surplus bankrupt estate or there are other legal grounds for removing the incidence of the TR, the monthly installments will be adjusted by the Selic rate.

The term entered into for payment in installments does not imply novation of the debt, and it should be stressed that default by the debtor may result in the rescission of the term, with the debt returning to the original situation. This agreement also does not imply automatic termination of the special regime, which may be evaluated at an opportune moment, if it is the case, in accordance with the conditions established by Law 6,024, of March 13, 1974.

These credits are classified as At Fair Value through Profit or Loss by designation of the BCB's Management. The fair value of the receivables corresponds to the present value of the contracted cash flows, calculated through the use of equivalent market rates.

## 12.2. Loans and Receivables

These are mainly represented by transfers to financial institutions of resources originating from the compulsory reserve requirements for deficiencies in applications in rural credit (Note 14). These transfers are made at the request of the financial institutions; they are limited to the amount of their own compulsory reserve requirements and must be applied in rural credit operations.

The transfers have a maximum term of 12 months and, in the case of funds from the rural savings account, they are subject to financial charges based on the TR. These amounts are received regardless of the settlement of the compulsory reserve requirements.

## 13 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

Deposits received from international financial organizations correspond to cash held by these institutions in the country, resulting from the capitalization of quotas and foreign and domestic receipts, as well as the readjustment of assets, remittances abroad, disbursements and reimbursements from loans granted and the reimbursement of expenses owed by these organizations.

The variation in the balance of deposits received from international financial organizations resulted mainly from the capitalization of IMF quotas (Note 10), partially offset by the effects of the appreciation of the Real against the SDR in the period (Note 3.3), the currency in which a significant portion of these deposits is denominated.

## 14 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS IN LOCAL CURRENCY

	Jun 30, 2016	Dec 31, 2015
Demand Deposits	33,271,195	29,803,738
Time Deposits	126,047,398	110,006,288
Savings Deposits	121,959,438	131,592,628
Additional Requirements	98,562,196	94,531,901
Deficiencies in applications in rural credit	1,713,142	1,713,142
Other	666,990	766,572
<b>Total</b>	<b>382,220,359</b>	<b>368,414,269</b>

The deposits received from financial institutions in local currency comprise mainly compulsory reserve requirements, which represent a traditional monetary policy mechanism that acts as a stabilizer for the liquidity of the economy.

These deposits are calculated based on the average daily balance of the amounts obtained by the banks and may be required in cash or, when established by the BCB, in federal government securities. The deposits made in cash are recognized as demand liabilities of the BCB.

The change in the balance of deposits received from financial institutions is associated with the fluctuation in the amounts subject to collection in the period.

## 15 - CURRENCY IN CIRCULATION

The Currency in Circulation represents the balance of bank notes and coins in circulation, held by the general public and financial institutions, recorded at the issuing amount, totaling R\$201,406,919 (R\$225,485,184 at December 31, 2015).

The decrease in the balance of the Currency in Circulation is due to the behavior usually observed in the demand for currency in this period, i.e., the reversal of the typical year-end seasonal movement, combined with the evolution of the nominal Gross Domestic Product (GDP) and the stability recorded in the balance of the credit operations.

## 16 - EQUITY

	Jun 30, 2016	Dec 31, 2015
<b>Capital</b>	<b>139,675,451</b>	<b>99,675,451</b>
<b>Revenue Reserve</b>	<b>6,624,205</b>	<b>6,624,205</b>
<b>Revaluation Reserve</b>	<b>425,627</b>	<b>428,561</b>
<b>Gains (Losses) Recognized Directly in Equity</b>	<b>(14,389,180)</b>	<b>(3,246,667)</b>
Investment in International Financial Organizations	(5,408,472)	6,023,911
Federal government securities	2,139,269	1,849,399
Remeasurements of defined benefit plans	(11,119,977)	(11,119,977)
<b>Total</b>	<b>132,336,103</b>	<b>103,481,550</b>

The main changes in the equity accounts arise from the capital increase due to the issuance of securities by the National Treasury in favor of the BCB, without financial compensation, in accordance with Law 11,803, of 2008 (Note 9.2), as well as the negative fair value adjustment of the investments in international financial organizations, given the appreciation of the Real against the SDR (Note 3.3) in the period.

## 17 - NET INTEREST RESULT

This refers to interest income and expenses on the BCB's financial assets and liabilities not classified as At Fair Value through Profit or Loss.



	Six-month periods ended June 30	
	2016	2015
<b>Interest income</b>	<b>85,697,044</b>	<b>71,981,583</b>
<b>In Foreign Currencies</b>	<b>253,650</b>	<b>47,035</b>
Cash and Cash Equivalents (Note 4)	111,038	16,017
Time Deposits Placed with Financial Institutions (Note 5)	104,639	22,643
Reverse Repo (Note 7.1)	34,105	4,358
Other	3,868	4,017
<b>In Local Currency</b>	<b>85,443,394</b>	<b>71,934,548</b>
Securities (Note 9.2)	85,194,599	71,613,091
Other	248,795	321,457
<b>Interest expenses</b>	<b>(149,454,333)</b>	<b>(109,566,674)</b>
<b>In Foreign Currencies</b>	<b>(2,687,504)</b>	<b>(1,065,788)</b>
Repo (Nota 7.1)	(2,681,784)	(1,062,005)
Borrowings	(3,789)	(3,139)
Other	(1,931)	(644)
<b>In Local Currency</b>	<b>(146,766,829)</b>	<b>(108,500,886)</b>
Deposits Received from Financial Institutions (Note 14)	(18,836,798)	(13,514,463)
Repo (Note 7.2)	(67,601,002)	(52,527,282)
Federal Government (Note 11)	(59,024,922)	(41,072,370)
Other	(1,304,107)	(1,386,771)
<b>Net interest result</b>	<b>(63,757,289)</b>	<b>(37,585,091)</b>

The change in the net interest result mainly arises from the increase in the Selic rate, compared to the same period in the previous year, associated with the increase in the average balances of operations with securities in local currency, repo transactions and transactions with the Federal Government.

#### 18 - GAINS (LOSSES) ON FINANCIAL INSTRUMENTS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS – HELD FOR TRADING

These refer to the variation in the price of the financial instruments classified in this category and include foreign exchange variation, interest and fair value adjustments.

	Six-month periods ended June 30	
	2016	2015
<b>In Foreign Currencies</b>	<b>(196,976,740)</b>	<b>145,101,367</b>
Securities (Note 9.1)	(194,194,696)	142,528,222
Funds Under External Management (Note 6)	(3,572,952)	2,913,110
Other	790,908	(339,965)
<b>In Local Currency</b>	<b>263,351,706</b>	<b>(83,432,656)</b>
Derivatives (Note 8.2)	263,351,712	(83,432,656)
Other	(6)	-
<b>Total</b>	<b>66,374,966</b>	<b>61,668,711</b>

The variation is mainly a result of the effects of the appreciation of the Real against the U.S. Dollar in the first half of 2016 (Note 3.3), the currency in which a significant part of the securities portfolio and of the funds under external management is denominated, while in the first half of 2015 there was an opposite movement in the foreign exchange rates. Another relevant variation is observed in derivatives in local

currency, which can be explained by the behavior of the equalization operation of the carrying cost of the international reserves between the National Treasury and the BCB (Note 25.c).

## 19 - GAINS (LOSSES) ON FINANCIAL INSTRUMENTS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS – BY DESIGNATION OF THE MANAGEMENT

These include interest and the fair value adjustment of the receivables from institutions under extrajudicial liquidation (Note 12.1), amounting to R\$3,590,315 (R\$910,067 in the first half of 2015).

## 20 - GAINS (LOSSES) FROM FOREIGN CURRENCIES

These represent the result of the foreign exchange restatements of the assets and liabilities, except gold, in foreign currencies and in local currency pegged to changes in the foreign exchange rates and that are not classified as At Fair Value through Profit or Loss.

	Six-month periods ended June 30	
	2016	2015
Cash and Cash Equivalents	(21,585,093)	6,747,974
Time Deposits Placed with Financial Institutions	(9,830,650)	4,732,298
Repurchase agreements	(4,110,628)	1,022,849
Receivables	(696,136)	541,154
Items in the Course of Collection	543,140	(215,070)
Accounts Payable	2,659,120	(1,487,345)
Deposits Received from International Financial Organizations	10,517,117	(1,910,611)
Other	9,338	(11,955)
<b>Total gains (losses) from foreign currencies</b>	<b>(22,493,792)</b>	<b>9,419,294</b>

The result presented arises from the effects of the appreciation of the Real against the main foreign currencies in the first half of 2016 (Note 3.3), while in the first half of 2015 the foreign exchange rates presented an opposite trend.

## 21 - GAINS (LOSSES) FROM MONETARY GOLD

These refer to the changes in the price of gold (Note 3.3) and include foreign exchange variation and the fair value adjustment, amounting to R\$216,856 (R\$1,022,467 in the first half of 2015).

The result in the first half of 2016 is due to the positive fair value adjustment, which was partially offset by the effects of foreign exchange variation arising from the appreciation of the Real against the U.S. Dollar (Note 3.3). The variation compared to the first half of 2015 is due to the opposite trend in the foreign exchange rates and in the fair value adjustment of gold in that six-month period.

## 22 - OTHER INCOME AND EXPENSES

	Six-month periods ended June 30	
	2016	2015
<b>Other Income</b>	<b>2,233,489</b>	<b>1,331,637</b>
Fines	19,041	36,591
Transfer from the National Treasury	1,137,888	1,054,882
Court-ordered debts	19,919	29,640
Reversal of provision for litigation	866,166	40,678
Tariffs	121,490	111,524
Other	68,985	58,322
<b>Other Expenses</b>	<b>(3,472,634)</b>	<b>(1,582,426)</b>
Personnel	(835,838)	(935,629)
Production and distribution of notes and coins	(111,652)	(333,068)
Provision for litigation	(2,354,804)	(150,536)
Depreciation	(17,204)	(15,798)
Other	(153,136)	(147,395)

In 2016, a new system was implemented in order to improve the control of the legal liabilities and receivables managed by the legal department of the BCB. As a result, improvements were made in the calculation of provisions for litigation, which explains the variation in the income and expenses in the first half of 2016 compared to the same period in the previous year.

## 23 - INCOME STATEMENT

### 23.1. Net income for the six-month period

The result for the first half of 2016 was negative by R\$17,308,089 (R\$35,184,659 positive in the first half of 2015), as shown in the table below:

	Six-month periods ended June 30	
	2016	2015
<b>International Reserve Operations and Swaps</b>	-	-
Profitability of the international reserves	(234,337,424)	157,653,446
Foreign exchange derivatives - Swaps in local currency	78,706,303	(37,026,026)
Foreign exchange equalization of reserves and derivatives (Profitability)	155,631,121	(120,627,420)
<b>Other transactions in foreign currencies</b>	<b>12,649,894</b>	<b>(3,129,071)</b>
<b>Transactions in local currency</b>	<b>(28,718,832)</b>	<b>38,564,519</b>
Interest income	85,443,394	71,934,548
Interest expenses	(146,766,829)	(108,500,886)
Foreign exchange equalization (Funding cost)	29,014,288	74,220,790
Institutions under liquidation (Fair value adjustment)	3,590,315	910,067
<b>Other transactions in local currency</b>	<b>(1,239,151)</b>	<b>(250,789)</b>
<b>Net income for the six-month period</b>	<b>(17,308,089)</b>	<b>35,184,659</b>

As the profitability obtained with the management of the international reserves and foreign exchange derivatives (swaps) (Note 8.2.1) is neutralized through the foreign exchange equalization operation, the result of the BCB is basically explained by the operations in local currency, where the reimbursement of the funding cost of resources used in the international reserves is highlighted – the second leg of the foreign exchange equalization mechanism. The interest income and expenses from operations in

local currency and the fair value adjustment of the receivables from the institutions under extrajudicial liquidation also contributed to the result.

As required by the applicable legislation, the result for the first half of 2016 will be covered by the National Treasury no later than the 10th working day of the year following the approval of these financial statements by the CMN (Note 1).

### **23.2. Comprehensive Income**

The purpose of the Statement of Comprehensive Income is to disclose the economic results of an entity, increasing the level of disclosure of the results beyond the concept of accounting profit or loss, which is usually disclosed through the income statement.

For the purpose of providing greater transparency to the income statement, the statement of comprehensive income discloses the gains and losses recognized directly in equity, the items of which are presented in Note 16.

Although there are no federal government securities currently classified as Available-for-sale, since the portfolio was reclassified as Held-to-Maturity, amounts still exist relating to these securities, which affect the statement of comprehensive income. This situation arises from the fact that the amount corresponding to the fair value adjustment recognized directly in equity (Note 16), prior to the portfolio reclassification, is amortized to the income statement during the remaining life of the reclassified securities.

## **24 - RELATED PARTIES**

### **24.1. Federal Government**

The following table presents the main transactions between the BCB and the Federal Government in the period:

	Six-month periods ended		
	Jun 30, 2016	Dec 31, 2015	Jun 30, 2015
<b>National Treasury Operating Account (Note 11)</b>			
Opening balance	881,932,081	774,016,202	605,920,552
(+) remuneration	54,969,562	47,511,786	38,537,728
(+/-) deposits/withdrawals	(115,702,487)	(23,127,683)	36,552,559
(+) transfer of positive result	156,285,934	83,531,776	93,005,363
Closing balance	977,485,090	881,932,081	774,016,202
<b>Securities issued by the National Treasury (Note 9.2)</b>			
Opening balance	1,279,138,194	1,119,658,133	1,113,234,371
(+/-) net purchase (net redemption)	(80,111,034)	35,518,692	(90,250,523)
(+) issuance for recovery of the portfolio (Note 16)	40,000,000	50,000,000	25,000,000
(+) remuneration (Note 24)	85,194,599	73,844,275	71,613,091
(+/-) fair value adjustment (Note 23.2)	289,870	117,094	61,194
Closing balance	1,324,511,629	1,279,138,194	1,119,658,133
<b>Result to be covered by the National Treasury (Note 11)</b>			
Opening balance	-	-	-
(+) negative result to be covered	17,305,155	-	-
Closing balance	17,305,155	-	-
<b>Result to be transferred to the National Treasury (Note 11)</b>			
Opening balance	41,524,507	35,187,802	25,658,860
(+) positive result to be transferred	-	41,524,507	35,187,802
(+) remuneration	1,041,319	835,484	613,851
(-) transfers	(42,565,826)	(36,023,286)	(26,272,711)
Closing balance	-	41,524,507	35,187,802
<b>Foreign exchange equalization (Note 8.2.2)</b>			
Opening balance	-	-	-
(+/-) adjustments	184,645,409	(110,938,092)	(46,406,630)
(+/-) transfers to accounts payable (receivables)	(184,645,409)	110,938,092	46,406,630
Closing balance	-	-	-
<b>Receivables due to foreign exchange equalization result (Note 11)</b>			
Opening balance	-	-	-
(+) foreign exchange equalization result	184,645,409	-	-
Closing balance	184,645,409	-	-
<b>Accounts payable due to foreign exchange equalization result (Note 11)</b>			
Opening balance	110,938,091	46,406,630	65,173,472
(+) foreign exchange equalization result	-	110,938,092	46,406,630
(+) remuneration	2,782,017	1,101,859	1,559,180
(-) payments	(113,720,108)	(47,508,490)	(66,732,652)
Closing balance	-	110,938,091	46,406,630
<b>Transfer under budget law (Note 22)</b>	1,137,888	1,339,259	1,054,882

## 24.2. Centrus

The main transactions between the BCB and Fundação Banco Central de Previdência Privada (Centrus) were the following:

	Six-month periods ended		
	Jun 30, 2016	Dec 31, 2015	Jun 30, 2015
<b>Actuarial Surplus</b>			
Opening balance	1,092,333	1,461,936	1,296,278
(+/-) remeasurements of defined benefit plans	-	(534,722)	-
(+) interest	151,034	165,119	165,658
Closing balance	1,243,367	1,092,333	1,461,936
<b>Receivables (Note 12.2)</b>			
Opening balance	355,537	460,197	553,987
(+) interest	25,489	29,298	41,548
(-) receipts	(99,977)	(133,958)	(135,338)
Closing balance	281,049	355,537	460,197

## 25 - 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 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 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:

*“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 CMN.

Accordingly:

- I - the result of the BCB 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 BCB presented a negative result of R\$11,089,782 in the first quarter and a negative result of R\$6,218,307 in the second quarter, totaling a negative result of R\$17,308,089 in the first half of 2016 which, after the realization of reserves, will be covered by the National Treasury no later than the 10th working day of the year following the approval of the financial statements by the CMN. In conformity with paragraph 5 of Article 9 of the Fiscal Responsibility Law, within 90 days after the half-year end, the BCB 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\$27,479,281 in the first quarter and R\$27,722,302 in the second quarter, totaling R\$55,201,583 in the first half 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 BCB.

At June 30, 2016, 87.55% of the reserve assets were comprised of securities, as published in the Press Release of the External Sector (table 30), available on the BCB's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

In the first quarter of 2016, the international reserves presented a negative return of 7.34%. After deducting the funding cost of the BCB, the net result of the reserves was negative by 8.16% (R\$118,194,265). In the second quarter, the return of the reserves was 9.71% negative, totaling 11.01% negative (R\$145,157,447) when taking into consideration the funding cost.

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability (%)		(%)	(R\$ thousand)
1st quarter/2016	1,448,421,501	(7.34)	(0.82)	(8.16)	(118,194,265)
2nd quarter/2016	1,318,793,029	(9.71)	(1.30)	(11.01)	(145,157,447)
<b>Total for the six-month period</b>					<b>(263,351,712)</b>

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 2016 a positive return of 0.86%, being comprised of accrued interest (0.10%) and the positive mark-to-market adjustment of the assets (0.76%). After deducting the funding cost, the net result of the reserves was positive by 0.04% (R\$512,130). In the second quarter, the profitability of the reserves was positive by 0.52% (0.11% through the accrual of interest and 0.41% through the positive mark-to-market adjustments of the assets), totaling 0.78% negative (R\$10,296,847) when considering the funding cost.

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability, excluding foreign exchange variation (%)		(%)	(R\$ thousand)
1st quarter/2016	1,448,421,501	0.86	(0.82)	0.04	512,130
2nd quarter/2016	1,318,793,029	0.52	(1.30)	(0.78)	(10,296,847)
<b>Total for the six-month period</b>					<b>(9,784,717)</b>

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

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The profitability of the securities portfolio of the BCB, composed exclusively of securities issued by the Federal Government, was R\$44,390,249 in the first quarter and R\$40,804,350 in the second quarter, totaling R\$85,194,599 in the first half of 2016.

Governor: Ilan Goldfajn

Deputy governors: Aldo Luiz Mendes, Anthero de Moraes Meirelles, Luiz Edson Feltrim, Otávio Ribeiro Damaso, Sidnei Corrêa Marques and Tony Volpon

Head of the Accounting and Financial Department: Arthur Campos e Pádua Andrade

Accountant – CRC-DF 24,829/O-7

(A free translation of the original in Portuguese)

# **Banco Central do Brasil**

**Condensed interim  
financial statements at  
June 30, 2016  
and report on review**





(A free translation of the original in Portuguese)

## **Report on review of condensed interim financial statements**

To the Management  
Banco Central do Brasil

### **Introduction**

We have audited the accompanying condensed interim balance sheet of Banco Central do Brasil ("BCB") as at June 30, 2016, and the related condensed interim statements of income, comprehensive income, changes in equity and foreign currency cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of the review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the condensed interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements referred to above have not been prepared, in all material respects, in accordance with IAS 34.



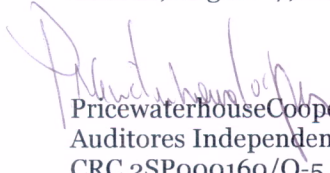
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#### **Other matters**

#### **Supplementary information**

We have also reviewed the supplementary information to the condensed interim financial statements presented in Note 25, which is not required by the IAS 34 but is being presented in compliance with the Fiscal Responsibility Law. This supplementary information has been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the condensed interim financial statements taken as a whole.

Brasília, August 17, 2016

  
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