



**BANCO CENTRAL DO BRASIL**

**Administration Management  
Accounting and Financial Department**

# **Financial Statements**

June 30, 2017

In thousands of Reals

ASSETS	Notes	Jun 30, 2017	Dec 31, 2016	LIABILITIES AND EQUITY	Notes	Jun 30, 2017	Dec 31, 2016
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>1,337,929,719</u></b>	<b><u>1,292,650,832</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>100,469,027</u></b>	<b><u>92,721,130</u></b>
Cash and Cash Equivalents	4.1	81,937,917	74,082,067	Items in the Course of Collection		1,976,469	13,700,151
Time Deposits Placed with Financial Institutions	5.1	35,968,739	31,834,409	Deposits Received from Financial Institutions		2,352	2,317
Funds Under External Management	6	1,174,239	19,236,030	Financial Assets Sold Under Repurchase Agreements	7.1	37,808,162	21,366,925
Financial Assets Purchased Under Resale Agreements	7.1	41,651,614	60,007,008	Derivatives	8.1	40,990	41,578
Derivatives	8.1	67,263	74,461	Accounts Payable		13,429,440	12,737,238
Securities	9.1	1,113,860,954	1,047,352,691	Deposits Received from International Financial Organizations	13	47,211,093	44,864,432
Receivables		3,438,038	3,403,429	Other		521	8,489
Gold		8,894,527	8,178,957				
Investment in International Financial Organizations	10	50,936,413	48,481,780				
Other		15	-				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>1,715,983,750</u></b>	<b><u>1,739,477,604</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>2,611,623,242</u></b>	<b><u>2,581,445,679</u></b>
Cash and Cash Equivalents	4.1	5	14,002,800	Items in the Course of Collection		39,813	13,090
Deposits	5.2	1,521,897	1,472,038	Deposits Received from Financial Institutions	14	445,638,920	409,224,031
Derivatives	8.2	-	865,412	Financial Assets Sold Under Repurchase Agreements	7.2	1,104,137,208	1,085,349,829
Federal Government Securities	9.2	1,606,712,522	1,518,007,723	Derivatives	8.2	56,853	-
Receivables from the Federal Government	11	74,472,870	174,225,466	Payables to the Federal Government	11	1,023,144,461	1,050,206,705
Receivables	12	30,997,813	28,878,494	Accounts Payable		775,067	629,168
Property and Equipment		866,939	887,290	Deposits Received from International Financial Organizations	13	26,312	19,866
Other		1,411,704	1,138,381	Provisions		37,681,555	35,924,950
				Other		123,053	78,040
				<b>CURRENCY IN CIRCULATION</b>	15	<b><u>213,569,522</u></b>	<b><u>232,145,593</u></b>
				<b>EQUITY</b>	16	<b><u>128,251,678</u></b>	<b><u>125,816,034</u></b>
				Capital		139,675,451	139,675,451
				Revenue Reserve		6,624,205	6,624,205
				Revaluation Reserve		419,499	422,693
				Gains (Losses) Recognized Directly in Equity		(18,467,477)	(20,906,315)
<b>TOTAL ASSETS</b>		<b><u>3,053,913,469</u></b>	<b><u>3,032,128,436</u></b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>3,053,913,469</u></b>	<b><u>3,032,128,436</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**

2

	Notes	Six-month periods ended June 30	
		2017	2016
Interest income		90,446,016	85,697,044
Interest expenses		(135,282,155)	(149,454,333)
Net interest result	17	(44,836,139)	(63,757,289)
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, held for trading	18	53,392,775	66,374,966
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the Management	19	4,194,274	3,590,315
Gains (losses) from foreign currencies	20	(1,714,042)	(22,493,792)
Gains (losses) from monetary gold	21	715,570	216,856
Other income	22	1,708,204	2,233,489
Other expenses	22	(2,188,980)	(3,472,634)
<b>NET INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.1</b>	<b>11,271,662</b>	<b>(17,308,089)</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**

**3**

	Notes	Six-month periods ended June 30	
		2017	2016
<b>NET INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.1</b>	<b>11,271,662</b>	<b>(17,308,089)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>16</b>	<b>2,438,838</b>	<b>(11,142,513)</b>
<b>Items which will not be reclassified to results</b>		<b>2,454,634</b>	<b>(11,432,383)</b>
Investment in International Financial Organizations	<b>10</b>	2,454,634	(11,432,383)
<b>Items which may be reclassified to results</b>		<b>(15,796)</b>	<b>289,870</b>
Federal Government Securities		(15,796)	289,870
<b>COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD</b>	<b>23.2</b>	<b>13,710,500</b>	<b>(28,450,602)</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

4

In thousands of Reais

	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
<b>At December 31, 2016</b>	<b>16</b>	<b>139,675,451</b>	<b>6,624,205</b>	<b>422,693</b>	<b>(20,906,315)</b>	<b>-</b>	<b>125,816,034</b>
Realization of Revaluation Reserves		-	-	(3,194)	-	3,194	-
Gains (Losses) Recognized Directly in Equity		-	-	-	2,438,838	-	2,438,838
Net income for the 1st half of 2017	<b>23.1</b>	-	-	-	-	11,271,662	11,271,662
Result to be transferred to National Treasury - 1st half of 2017	<b>23.1</b>	-	-	-	-	(11,274,856)	(11,274,856)
<b>At June 30, 2017</b>	<b>16</b>	<b>139,675,451</b>	<b>6,624,205</b>	<b>419,499</b>	<b>(18,467,477)</b>	<b>-</b>	<b>128,251,678</b>
<b>At December 31, 2015</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		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		-	-	-	-	(17,308,089)	(17,308,089)
Result covered by the National Treasury - 1st half of 2016		-	-	-	-	17,305,155	17,305,155
<b>At June 30, 2016</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>

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

In thousands of Reals

	Notes	Six-month periods ended June 30	
		2017	2016
<b>Net Cash Flow from Operating Activities</b>		<b>5,853,464</b>	<b>35,833,639</b>
Interest received		7,748,735	7,750,094
Interest paid		(22,142)	(4,824)
(Purchase) sale of securities		(26,400,166)	26,422,270
Purchase (sale) of foreign currencies		214,654	(2,627,901)
Redemption (placement) of repurchase and reverse repurchase transactions		19,286,511	(1,370,346)
(Placement) redemption of time deposits		(1,591,084)	1,077,644
Redemption of funds under external management		3,985,523	1,553,801
Formation of deposit liabilities		287,168	372,733
Receipts on behalf of the National Treasury		72	4,796
Receipt of receivables		1,130,726	1,715,121
Receipts resulting from operations with derivatives		1,211,941	906,915
Other receipts		1,526	33,336
<b>Net Cash Flow</b>		<b>5,853,464</b>	<b>35,833,639</b>
<b>Changes in Cash and Cash Equivalents</b>		<b>5,853,464</b>	<b>35,833,639</b>
Cash and cash equivalents at the beginning of the six-month period		74,082,067	52,681,331
Cash and cash equivalents at the end of the six-month period	<b>4</b>	81,937,917	71,922,223
Effect of foreign exchange variation on cash and cash equivalents	<b>20</b>	2,002,386	(16,592,747)

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 16, 2017, their submission to the National Monetary Council (CMN) for the authorization of their disclosure on August 28, 2017, 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, 2017 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, 2016. 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 that 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 rate 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, with the related gains and losses recognized, on a monthly basis, in profit or loss.

The foreign exchange rates used are the closing rates of the free exchange market freely fixed by 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 closing 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), the Renminbi Yuan (CNY) and the U.S. Dollar (USD).

The following table presents the foreign exchange rates used on the balance sheet closing date:

	<b>Reais / currency</b>			
	<b>Jun 30, 2017</b>	<b>Dec 31, 2016</b>	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
U.S. Dollar	3.3079	3.2588	3.2095	3.9045
Euro	3.7743	3.4379	3.5408	4.2493
Canadian Dollar	2.5479	2.4255	2.4662	2.8165
Pound Sterling	4.2985	4.0354	4.2499	5.7869
Australian Dollar	2.5390	2.3556	2.3852	2.8522
SDR	4.6026	4.3808	4.4895	5.4105
Yen	0.0294	0.0279	0.0312	0.0324
Gold (troy ounces)	4,111.2897	3,780.5339	4,236.4116	4,136.0369

### 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 financial assets purchased under 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 contractual amounts.

#### 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, canceled or expired.

The BCB carries out operations in which it transfers the assets recognized on its balance sheet, but it remains with control through risks retention 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:

<u>Assets in Foreign Currencies</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
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

<u>Assets in Local Currency</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
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 - Brasil, Bolsa e Balcão
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

<u>Liabilities in Foreign Currencies</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
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

<u>Liabilities in Local Currency</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
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 - Brasil, Bolsa e Balcão
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:

- a) financial difficulties of the issuer or debtor;
- b) default of any payment, whether related to the principal or interest;
- c) renegotiation or discounts granted;
- d) extrajudicial liquidation, bankruptcy and financial reorganization; and
- e) 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 methodologies used.

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.

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.

### **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 at the time of 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 in which the contributions owed by the entity and the plan participants are previously established, and the value of the benefits at the time of retirement is adjusted according to the amounts contributed and the capitalization of these funds. Accordingly, the entity has no legal or presumed obligation to pay additional contributions to the plan.

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

### **3.8. Use of judgments, 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 in the use of judgments, assumptions and estimates, the results disclosed by the BCB might be different if another alternative had been chosen. Management considers that the choices are appropriate and that the financial statements properly present the financial position of the BCB as well as the result of its operation in all material aspects.

The most significant judgments, assumptions and estimates applied, 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

	Jun 30, 2017	Dec 31, 2016
<b>In Foreign Currencies</b>	<b>81,937,917</b>	<b>74,082,067</b>
Cash	49,515	39,047
Demand deposits	13,695,729	13,033,211
Very short-term time deposits	68,192,673	61,009,809
<b>In Local Currency</b>	<b>5</b>	<b>14,002,800</b>
<b>Total</b>	<b>81,937,922</b>	<b>88,084,867</b>

##### 4.1. In foreign currencies

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 authority 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, as well as the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3).

##### 4.2. In local currency

The balance of cash and cash equivalents in local currency at June 30, 2017 and December 31, 2016 includes amounts receivable from contracted operations pending settlement on the balance sheet date, which will be settled within three days.

The variation in the period is due to the lower volume of operations pending settlement at June 30, 2017, compared to December 31, 2016.

#### 5 - DEPOSITS

##### 5.1. In foreign currencies

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\$35,968,739 (R\$31,834,409 at December 31, 2016).

##### 5.2. In local currency

These are deposits made by legal determination, relating to ongoing litigations, for which there is the recognition of a provision or a court-ordered debt payable. Due to this entailment, they are unavailable up to the court decision on the matter under dispute, and are remunerated by the effective interest rate of the daily financing calculated at the Special System of Settlement and Custody (Selic rate). At June 30, 2017, the balance amounted to R\$1,521,897 (R\$1,472,038 at December 31, 2016).

**6 - FUNDS UNDER EXTERNAL MANAGEMENT**

	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
<b>Fund managed by the BIS</b>	<b><u>1,174,239</u></b>	<b><u>1,138,716</u></b>
<b>External Management Program</b>	<b><u>-</u></b>	<b><u>18,097,314</u></b>
<b>Securities</b>	<b>-</b>	<b>15,307,032</b>
Up to 1 year	-	3,700,500
1 - 5 years	-	8,927,360
> 5 years	-	2,679,172
<b>Index funds</b>	<b>-</b>	<b>2,234,489</b>
Equity instruments	-	2,234,489
<b>Cash/receivables</b>	<b>-</b>	<b>555,793</b>
<b>Total</b>	<b><u>1,174,239</u></b>	<b><u>19,236,030</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 full redemption of the amounts applied in the PGER held in February 2017.

**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

	Jun 30, 2017	Dec 31, 2016
<b>Financial Assets Purchased Under Resale Agreements</b>	<b>41,651,614</b>	<b>60,007,008</b>
<b>Foreign Market</b>	<b>37,682,134</b>	<b>22,840,394</b>
Securities	26,949,136	8,086,781
Currencies	10,732,998	14,753,613
<b>Assets granted as collateral</b>	<b>26,924,687</b>	<b>8,084,470</b>
<b>Domestic Market</b>	<b>3,969,480</b>	<b>37,166,614</b>
Currencies	3,969,480	37,166,614
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b>37,808,162</b>	<b>21,366,925</b>
<b>Foreign Market</b>	<b>37,808,162</b>	<b>21,366,925</b>
Securities	26,948,344	8,085,964
Currencies	10,859,818	13,280,961
Assets granted as collateral	26,396,782	7,919,462

The variation in the balance of repos and reverse repos in foreign currencies carried out in the foreign market was mainly 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 justified by the non-renewal of a portion of the transactions which fell due in the period related to the BCB's activity in the interbank foreign exchange market.

## 7.2. In local currency

	Jun 30, 2017	Dec 31, 2016
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b>1,104,137,208</b>	<b>1,085,349,829</b>
Securities	1,100,051,298	1,047,483,967
Foreign Currencies	4,085,910	37,865,862
<b>Assets granted as collateral</b>	<b>1,076,857,511</b>	<b>1,041,313,382</b>
Freely tradeable	146,687,185	184,472,025
Not freely tradeable	930,170,326	856,841,357

The changes in the balance of repo operations reflect the increase of liquidity collected by the BCB, mainly due to the payment of interest by the BCB in its open market transactions (Note 17) and of the payment of obligations by the Federal Government. This increase of liquidity was diminished by the net issuance of National Treasury securities in the period.

It is worth highlighting the BCB activities in the interbank foreign exchange market, through spot sales auctions combined with the forward repurchase of foreign currency, with the non-renewal of a portion of the transactions which fell due in the period (Note 7.1).

## 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, 2017**

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
<b>Forward</b>					
<u>1 month</u>				<u>67,263</u>	<u>40,990</u>
U.S. Dollar	2,472,268	(2,446,759)	25,509	50,449	15,677
Yen	1,602,878	(1,602,878)	-	-	-
Australian Dollar	843,905	(843,905)	-	16,814	25,313
<b>Interest futures</b>					
<u>1 - 5 years</u>				<u>-</u>	<u>-</u>
U.S. Dollar	-	(6,521,010)	(6,521,010)	-	-
<b>Index futures</b>					
<u>1 - 6 months</u>				<u>-</u>	<u>-</u>
U.S. Dollar	8,142,231	-	8,142,231	-	-
Euro	787,296	-	787,296	-	-
Pound Sterling	-	(419,964)	(419,964)	-	-
Australian Dollar	-	(161,357)	(161,357)	-	-
<b>Commodities futures</b>					
<u>1 - 6 months</u>				<u>-</u>	<u>-</u>
U.S. Dollar	1,523	-	1,523	-	-
<b>Securities futures</b>					
<u>1 - 5 years</u>				<u>-</u>	<u>-</u>
U.S. Dollar	5,440,147	(4,764,397)	675,750	-	-
Australian Dollar	283,487	-	283,487	-	-
<u>&gt; 5 years</u>				<u>-</u>	<u>-</u>
U.S. Dollar	-	(260,381)	(260,381)	-	-
Euro	-	(1,256,716)	(1,256,716)	-	-
Australian Dollar	-	(783,391)	(783,391)	-	-
<b>Total</b>				<b>67,263</b>	<b>40,990</b>

## At Dec 31, 2016

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
<b>Forward</b>					
<u>1 - 6 months</u>				74,461	41,578
U.S. Dollar	3,438,831	(3,460,513)	(21,682)	72,123	38,847
Euro	85,948	(85,948)	-	-	1,797
Yen	3,258,962	(237,941)	3,021,021	-	-
Renminbi Yuan	-	(2,951,574)	(2,951,574)	-	-
Australian Dollar	70,668	(70,668)	-	1,887	-
New Zealand Dollar	45,320	(90,640)	(45,320)	451	934
<b>Index futures</b>					
<u>1 - 5 years</u>				-	-
U.S. Dollar	8,359,295	-	8,359,295	-	-
Euro	989,330	-	989,330	-	-
Yen	-	(974,113)	(974,113)	-	-
Pound Sterling	-	(985,765)	(985,765)	-	-
<b>Commodities futures</b>					
<u>1 - 5 years</u>				-	-
U.S. Dollar	2,552,135	(2,526,725)	25,410	-	-
<b>Securities futures</b>					
<u>1 - 5 years</u>				-	-
U.S. Dollar	10,821,614	(189,038)	10,632,576	-	-
Euro	-	(8,982,034)	(8,982,034)	-	-
Australian Dollar	-	(133,912)	(133,912)	-	-
<u>&gt; 5 years</u>				-	-
U.S. Dollar	6,830,050	-	6,830,050	-	-
Euro	952,085	-	952,085	-	-
Pound Sterling	-	(4,785,714)	(4,785,714)	-	-
Australian Dollar	-	(145,942)	(145,942)	-	-
<b>Total</b>				<b>74,461</b>	<b>41,578</b>

The derivatives balance in foreign currencies refers only to 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 hedges 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 B3 (Brasil, Bolsa e Balcão) – former 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, which totaled R\$19,136,579 at June 30, 2017 (R\$16,414,265 at December 31, 2016 – Note 9.2). On a daily basis, margin calls or returns are carried out, depending on the swap variations, as established by B3, which assumes all the credit risk arising from these 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 differential between the 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, 2017**

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	22,953,946	-	22,953,946	-	22,950
1 – 6 months	47,590,938	-	47,590,938	-	24,584
6 – 12 months	44,258,754	-	44,258,754	-	9,319
<b>Total</b>	<b>114,803,638</b>	<b>-</b>	<b>114,803,638</b>	<b>-</b>	<b>56,853</b>

**At Dec 31, 2016**

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	34,621,419	(18,326,734)	16,294,685	128,746	-
1 – 6 months	86,556,808	-	86,556,808	736,666	-
<b>Total</b>	<b>121,178,227</b>	<b>(18,326,734)</b>	<b>102,851,493</b>	<b>865,412</b>	<b>-</b>

In the first half of 2017, the result of the foreign exchange swaps was R\$3,336,866 positive (R\$78,706,303 positive in the first half of 2016 – 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 27.a).

In the first half of 2017, the result of the foreign exchange equalization operation was R\$15,744,789 positive (R\$184,645,409 positive in the first half of 2016 – Note 26.1).

## 9 - SECURITIES

### 9.1. In foreign currencies

	Jun 30, 2017	Dec 31, 2016
<b>Unrestricted securities</b>	<b>1,087,258,284</b>	<b>1,039,433,229</b>
1 month	6,399,751	22,603,792
1 - 6 months	57,690,853	61,881,437
6 - 12 months	137,177,532	110,000,781
1 - 5 years	820,191,376	790,225,941
> 5 years	65,798,772	54,721,278
<b>Securities subject to repurchase agreements</b>	<b>26,396,782</b>	<b>7,919,462</b>
1 month	-	653,996
1 - 6 months	7,447,187	2,449,392
6 - 12 months	2,721,668	734,071
1 - 5 years	16,227,927	4,082,003
<b>Securities subject to definitive sale operations pending settlement</b>	<b>205,888</b>	<b>-</b>
1 - 5 years	205,888	-
<b>Total</b>	<b>1,113,860,954</b>	<b>1,047,352,691</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:

	Jun 30, 2017	Dec 31, 2016
Amortized cost	1,115,910,244	1,048,002,533
Fair value adjustment	(2,049,290)	(649,842)
<b>Carrying amount</b>	<b>1,113,860,954</b>	<b>1,047,352,691</b>

The variation in the portfolio of securities in foreign currencies was mainly due to the fair value adjustment of these assets, as well as the effects of the depreciation 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, 2017

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Unrestricted securities</b>	<b>33,725,655</b>	<b>4,213,846</b>	<b>37,159,966</b>	<b>169,251,709</b>	<b>266,194,745</b>	<b>510,545,921</b>
Zero Coupon Fixed Rate Bill (LTN)	33,725,655	4,213,828	16,493,574	63,101,809	-	117,534,866
Zero Coupon Floating Rate Bill (LFT)	-	18	-	17,098,480	26	17,098,524
IPCA - Consumer Price-Index Note (NTN-B)	-	-	-	40,628,594	109,074,109	149,702,703
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	20,666,392	48,422,826	157,120,610	226,209,828
<b>Securities subject to repurchase agreements (Note 7.2)</b>	<b>-</b>	<b>20,049,261</b>	<b>45,593,080</b>	<b>553,993,983</b>	<b>457,221,187</b>	<b>1,076,857,511</b>
Zero Coupon Fixed Rate Bill (LTN)	-	19,158,847	45,407,512	216,874,991	-	281,441,350
Zero Coupon Floating Rate Bill (LFT)	-	890,414	-	249,302,743	205,940,898	456,134,055
IPCA - Consumer Price-Index Note (NTN-B)	-	-	-	77,510,842	215,692,820	293,203,662
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	185,568	10,305,407	35,587,469	46,078,444
<b>Securities granted as loans</b>	<b>-</b>	<b>-</b>	<b>90,424</b>	<b>-</b>	<b>81,867</b>	<b>172,291</b>
Zero Coupon Fixed Rate Bill (LTN)	-	-	90,424	-	-	90,424
IPCA - Consumer Price-Index Note (NTN-B)	-	-	-	-	26,588	26,588
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	-	-	55,279	55,279
<b>Securities granted as collateral (Note 8.2.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,136,579</b>	<b>-</b>	<b>19,136,579</b>
Zero Coupon Floating Rate Bill (LFT)	-	-	-	19,136,579	-	19,136,579
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>44</b>	<b>220</b>
National Treasury Notes - Series P (NTN-P)	-	-	-	176	44	220
<b>Total</b>	<b>33,725,655</b>	<b>24,263,107</b>	<b>82,843,470</b>	<b>742,382,447</b>	<b>723,497,843</b>	<b>1,606,712,522</b>

At Dec 31, 2016

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Unrestricted securities</b>	<b>71,280,470</b>	<b>12,631,420</b>	<b>16,226,282</b>	<b>164,593,323</b>	<b>195,515,606</b>	<b>460,247,101</b>
Zero Coupon Fixed Rate Bill (LTN)	40,384,672	5,784,794	16,226,273	58,054,049	-	120,449,788
Zero Coupon Floating Rate Bill (LFT)	-	-	9	9,372,802	6,951,773	16,324,584
IPCA - Consumer Price-Index Note (NTN-B)	-	6,846,626	-	30,452,908	79,350,828	116,650,362
Plain Vanilla Fixed Rate Note (NTN-F)	30,895,798	-	-	66,713,564	109,213,005	206,822,367
<b>Securities subject to repurchase agreements (Note 7.2)</b>	<b>-</b>	<b>30,286,506</b>	<b>38,029,311</b>	<b>567,502,529</b>	<b>405,495,036</b>	<b>1,041,313,382</b>
Zero Coupon Fixed Rate Bill (LTN)	-	1,969,848	37,186,645	238,867,658	-	278,024,151
Zero Coupon Floating Rate Bill (LFT)	-	-	842,666	230,953,583	120,105,772	351,902,021
IPCA - Consumer Price-Index Note (NTN-B)	-	28,316,658	-	85,461,422	239,911,631	353,689,711
Plain Vanilla Fixed Rate Note (NTN-F)	-	-	-	12,219,866	45,477,633	57,697,499
<b>Securities granted as loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,763</b>	<b>32,763</b>
IPCA - Consumer Price-Index Note (NTN-B)	-	-	-	-	32,763	32,763
<b>Securities granted as collateral (Note 8.2.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,414,265</b>	<b>-</b>	<b>16,414,265</b>
Zero Coupon Floating Rate Bill (LFT)	-	-	-	16,414,265	-	16,414,265
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>42</b>	<b>212</b>
National Treasury Notes - Series P (NTN-P)	-	-	-	170	42	212
<b>Total</b>	<b>71,280,470</b>	<b>42,917,926</b>	<b>54,255,593</b>	<b>748,510,287</b>	<b>601,043,447</b>	<b>1,518,007,723</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 26.1, was mainly due to the accrual of interest (Note 17) and the issuance of securities by the National Treasury, to cover the negative result, including the exchange rate equalization referring to the first half of 2016. This effect was 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, 2017	Dec 31, 2016
International Monetary Fund	50,821,909	48,372,794
Bank for International Settlements	114,504	108,986
<b>Total</b>	<b>50,936,413</b>	<b>48,481,780</b>

The variation in the period was due to positive fair value adjustment (Note 16), in view of the depreciation of the Real against the SDR (Note 3.3).

In the first half of 2017, the BCB received dividends from the BIS in the amount of R\$4,112 (R\$2,889 in the first half of 2016).

## 11 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Jun 30, 2017	Dec 31, 2016
Result to be covered by the National Treasury	-	18,318,977
Foreign exchange equalization result	74,469,641	155,903,416
Amounts to be offset or refunded	3,229	3,073
<b>Total</b>	<b>74,472,870</b>	<b>174,225,466</b>

Payables to the Federal Government	Jun 30, 2017	Dec 31, 2016
National Treasury Operating Account	1,009,504,798	1,039,821,680
Result to be transferred to the National Treasury	11,274,856	7,783,321
Remuneration of the National Treasury Operating Account to be incorporated	2,290,074	2,526,314
Amounts payable	74,733	75,390
<b>Total</b>	<b>1,023,144,461</b>	<b>1,050,206,705</b>

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are described in Note 26.1.

The variation in receivables from the Federal Government was mainly due the coverage of the negative result of the first half of 2016 and the reduction of the value of the exchange equalization to be covered

by the National Treasury. In the case of payables to the Federal Government, the variations are mainly related to the behavior of the balance of the National Treasury Operating Account in the period (Note 26.1).

## 12 - RECEIVABLES IN LOCAL CURRENCY

At Jun 30, 2017

	Amortized cost	Fair value adjustment	Carrying Amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>38,619,637</b>	<b>(10,526,675)</b>	<b>28,092,962</b>
Banco Nacional - Under Extrajudicial Liquidation	28,294,646	(6,721,839)	21,572,807
Banco Econômico - Under Extrajudicial Liquidation	9,978,607	(3,630,451)	6,348,156
Banco Banorte - Under Extrajudicial Liquidation	346,384	(174,385)	171,999
<b>Loans and Receivables</b>	<b>2,904,851</b>	<b>-</b>	<b>2,904,851</b>
Transfer of resources related to rural credit	2,230,881	-	2,230,881
Centrus	510,308	-	510,308
Other	163,662	-	163,662
<b>Total</b>	<b>41,524,488</b>	<b>(10,526,675)</b>	<b>30,997,813</b>

At Dec 31, 2016

	Amortized cost	Fair value adjustment	Carrying Amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>39,330,208</b>	<b>(13,396,641)</b>	<b>25,933,567</b>
Banco Nacional - Under Extrajudicial Liquidation	28,788,599	(8,784,163)	20,004,436
Banco Econômico - Under Extrajudicial Liquidation	10,174,852	(4,369,177)	5,805,675
Banco Banorte - Under Extrajudicial Liquidation	366,757	(243,301)	123,456
<b>Loans and Receivables</b>	<b>2,944,927</b>	<b>-</b>	<b>2,944,927</b>
Transfer of resources related to rural credit	2,230,682	-	2,230,682
Centrus	555,557	-	555,557
Other	158,688	-	158,688
<b>Total</b>	<b>42,275,135</b>	<b>(13,396,641)</b>	<b>28,878,494</b>

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

This refers 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, 2017 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 of compulsory resources, of rural savings account and raised through the Agribusiness Credit Bill (LCA) (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.

These transfers have a maximum term of twelve months and, in the case of funds arising from the rural savings account or raised through LCA, they are subject to updating by 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 BCB, resulting from the capitalization of quotas and foreign and domestic receipts, destined for the operations and payment of expenses of these organizations in the country.

The variation in the balance of these deposits is mainly due to the effects of the exchange variation arising from the depreciation 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, 2017	Dec 31, 2016
Demand Deposits	46,669,449	38,141,553
Time Deposits	230,681,209	140,406,354
Savings Deposits	130,083,480	125,143,775
Additional Requirements	35,299,100	102,563,195
Deficiencies in applications in rural credit	2,296,770	2,296,571
Other	608,912	672,583
<b>Total</b>	<b>445,638,920</b>	<b>409,224,031</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 variation in the balances of deposits of financial institutions is associated with the fluctuation of the amounts subject to collection and the changes in the rules of the main compulsory reserve requirements verified in the period. It is worth noting the simplification of compulsory reserve requirements rules and the harmonization of operational procedures for financial institutions and for the BCB during the period, with emphasis on the incorporation of the additional requirements in the rate of compulsory reserve requirements over time deposits.



**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\$213,569,522 (R\$232,145,593 at December 31, 2016).

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 deceleration of credit operations of the financial system.

**16 - EQUITY**

	<b>Jun 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Capital</b>	<b>139,675,451</b>	<b>139,675,451</b>
<b>Revenue Reserve</b>	<b>6,624,205</b>	<b>6,624,205</b>
<b>Revaluation Reserve</b>	<b>419,499</b>	<b>422,693</b>
<b>Gains (Losses) Recognized Directly in Equity</b>	<b>(18,467,477)</b>	<b>(20,906,315)</b>
Investment in International Financial Organizations	(4,156,254)	(6,610,888)
Federal government securities	1,860,109	1,875,905
Remeasurements of defined benefit plans	(16,171,332)	(16,171,332)
<b>Total</b>	<b>128,251,678</b>	<b>125,816,034</b>

The main changes in the equity accounts was due to the positive fair value adjustment of the investment in international financial organizations, given the depreciation 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	
	2017	2016
<b>Interest income</b>	<b>90,446,016</b>	<b>85,697,044</b>
<b>In Foreign Currencies</b>	<b>581,855</b>	<b>253,650</b>
Cash and Cash Equivalents (Note 4)	251,689	111,038
Time Deposits Placed with Financial Institutions (Note 5)	142,839	104,639
Reverse Repo (Note 7.1)	174,495	33,900
Other	12,832	4,073
<b>In Local Currency</b>	<b>89,864,161</b>	<b>85,443,394</b>
Securities (Note 9.2)	85,971,710	85,194,599
Federal Government (Note 11)	3,613,792	-
Other	278,659	248,795
<b>Interest Expenses</b>	<b>(135,282,155)</b>	<b>(149,454,333)</b>
<b>In Foreign Currencies</b>	<b>(94,291)</b>	<b>(17,708)</b>
Repo (Note 7.1)	(59,981)	(11,988)
Borrowings	(26,961)	(3,789)
Other	(7,349)	(1,931)
<b>In Local Currency</b>	<b>(135,187,864)</b>	<b>(149,436,625)</b>
Deposits Received from Financial Institutions (Note 14)	(18,424,718)	(18,836,798)
Repo (Note 7.2)	(64,924,780)	(70,270,798)
Federal Government (Note 11)	(50,145,880)	(59,024,922)
Other	(1,692,486)	(1,304,107)
<b>Total</b>	<b>(44,836,139)</b>	<b>(63,757,289)</b>

The change in net interest income is mainly due to the behavior of credits and obligations with the Federal Government (Note 11).

#### 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	
	2017	2016
<b>In Foreign Currencies</b>	<b>34,311,121</b>	<b>(196,976,740)</b>
Securities (Note 9.1)	33,268,169	(194,194,696)
Derivatives (Note 8.1)	1,256,178	790,908
Funds Under External Management (Note 6)	(213,226)	(3,572,952)
<b>In Local Currency</b>	<b>19,081,654</b>	<b>263,351,706</b>
Derivatives (Note 8.2)	19,081,655	263,351,712
Other	(1)	(6)
<b>Total</b>	<b>53,392,775</b>	<b>66,374,966</b>

The variation was mainly a result of the effects of the depreciation of the Real against the U.S. Dollar in the first half of 2017 (Note 3.3), the currency in which a significant part of this portfolio is denominated, while in the first half of 2016 there was an opposite movement in the foreign exchange rates. Another significant variation is observed in derivatives in local currency, due to foreign exchange swaps (Note 8.2.1) and the foreign exchange equalization operation between the National Treasury and the BCB (Notes 8.2.2 and 26.1).

## 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\$4,194,274 (R\$3,590,315 in the first half of 2016).

## 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	
	2017	2016
Cash and Cash Equivalents	2,002,386	(16,592,747)
Time Deposits Placed with Financial Institutions	755,663	(9,830,650)
Repurchase agreements	(1,717,341)	(9,102,974)
Receivables	201,844	(696,136)
Items in the Course of Collection	(53,556)	543,140
Accounts Payable	(640,459)	2,659,120
Deposits Received from International Financial Organizations	(2,261,230)	10,517,117
Other	(1,349)	9,338
<b>Total gains (losses) from foreign currencies</b>	<b>(1,714,042)</b>	<b>(22,493,792)</b>

The result presented arises from the effects of the depreciation of the Real against the main foreign currencies in the first half of 2017 (Note 3.3), while in the first half of 2016 the foreign exchange rates presented an opposite trend, with an accentuated appreciation of the Real against the main foreign currencies.

## 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\$715,570 (R\$216,856 in the first half of 2016).

The result in the first half of 2017 is due to the positive fair value adjustment and the depreciation of the Real against the U.S. Dollar (Note 3.3). The variation compared to the first half of 2016 is due to the opposite trend in the foreign exchange rates in that period, with an accentuated appreciation of the Real against the U.S. Dollar and the higher appreciation in the price of gold in the first half of 2017.

## 22 - OTHER INCOME AND EXPENSES

	Six-month periods ended June 30	
	2017	2016
<b>Other Income</b>	<b>1,708,204</b>	<b>2,233,489</b>
Fines	120,123	19,041
Transfer from the National Treasury	1,376,087	1,137,888
Reversal of provision for litigation	35,847	866,166
Tariffs	122,576	121,490
Other	53,571	88,904
<b>Other Expenses</b>	<b>(2,188,980)</b>	<b>(3,472,634)</b>
Personnel	(945,321)	(835,838)
Production and distribution of notes and coins	(312,614)	(111,652)
Provision for litigation	(759,442)	(2,354,804)
Depreciation	(26,103)	(17,204)
Other	(145,500)	(153,136)

The variation observed was mainly due to the implementation of a new system for the control of the legal liabilities and receivables managed by the legal department of the BCB in the first half of 2016, with a consequent improvement in the calculation of provisions for litigation.

## 23 - INCOME STATEMENT

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

The result for the first half of 2017 was positive by R\$11,271,662 (R\$17,308,089 negative in the first half of 2016), as shown in the table below:

	Six-month periods ended June 30	
	2017	2016
<b>International Reserve Operations and Swaps</b>	-	-
Profitability of the international reserves	37,120,917	(234,337,424)
Foreign exchange derivatives - Swaps in local currency	3,336,866	78,706,303
Foreign exchange equalization of reserves and derivatives (Profitability)	(40,457,783)	155,631,121
<b>Other transactions in foreign currencies</b>	<b>(3,958,938)</b>	<b>12,649,894</b>
<b>Transactions in local currency</b>	<b>15,711,377</b>	<b>(28,718,832)</b>
Interest income	89,864,161	85,443,394
Interest expenses	(134,549,630)	(146,766,829)
Foreign exchange equalization (Funding cost)	56,202,572	29,014,288
Institutions under liquidation (Fair value adjustment)	4,194,274	3,590,315
<b>Other transactions in local currency</b>	<b>(480,777)</b>	<b>(1,239,151)</b>
<b>Net income for the six-month period</b>	<b>11,271,662</b>	<b>(17,308,089)</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 2017 will be transferred to the National Treasury no later than the 10th working day after the approval of the 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 - FINANCIAL INSTRUMENTS – BY CATEGORY

### 24.1. In foreign currencies

	Jun 30, 2017		Dec 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,329,035,192</b>	<b>1,329,035,192</b>	<b>1,284,471,875</b>	<b>1,284,471,875</b>
Loans and receivables	162,996,323	162,996,323	169,326,913	169,326,913
Available-for-sale	50,936,413	50,936,413	48,481,780	48,481,780
At fair value through profit or loss	1,115,102,456	1,115,102,456	1,066,663,182	1,066,663,182
<b>Financial liabilities</b>	<b>100,469,027</b>	<b>100,469,027</b>	<b>92,721,130</b>	<b>92,721,130</b>
Other liabilities	100,428,037	100,428,037	92,679,552	92,679,552
At fair value through profit or loss	40,990	40,990	41,578	41,578

### 24.2. In local currency

	Jun 30, 2017		Dec 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,713,811,187</b>	<b>1,773,785,282</b>	<b>1,737,472,559</b>	<b>1,774,792,835</b>
Held-to-maturity	1,606,712,522	1,666,686,617	1,518,007,723	1,555,327,999
Loans and receivables	79,005,703	79,005,703	192,665,857	192,665,857
At fair value through profit or loss	28,092,962	28,092,962	26,798,979	26,798,979
<b>Financial liabilities</b>	<b>2,573,941,687</b>	<b>2,573,941,687</b>	<b>2,545,520,729</b>	<b>2,545,520,729</b>
Other liabilities	2,573,884,834	2,573,884,834	2,545,520,729	2,545,520,729
At fair value through profit or loss	56,853	56,853	-	-

Financial assets classified as Held-to-maturity are composed exclusively of federal public securities existing in the BCB's portfolio (Note 9.2), whose fair value at June 30, 2017 was R\$1,666,686,617

(R\$1,555,327,999 at December 31, 2016). Other financial assets and liabilities measured at amortized cost do not present a significant difference in their fair value, since they are related to cash or short-term operations at rates compatible with market rates.

## 25 - FAIR VALUE – BY HIERARCHY

The methodologies for the calculation of the fair value are classified according to the following hierarchy levels, which reflect the representativeness of the data used in their valuations:

- Level 1 – price quotations of identical financial instruments, traded in an active market, without adjustments;
- Level 2 – prices quoted, not included in Level 1, observable for the financial asset or liability, directly or indirectly, including: (i) quotations of prices of similar financial instruments, traded in an active market; (ii) quotations of the prices of identical or similar financial instruments, traded on a market with little activity; and (iii) other relevant data observable for the financial instrument;
- Level 3 – non-observable data for the financial instrument, used in the measurement of financial assets or financial liabilities for which there are no observable data available or when there is little or no market activity on the valuation date.

The following table presents the existing balance for the financial instruments of the BCB stated at fair value, according to the fair value hierarchy level in which they are classified:

### At Jun 30, 2017

	Level 1	Level 2	Level 3	Total
<b>Assets in Foreign Currencies</b>	<b><u>1,164,797,367</u></b>	<b><u>1,241,502</u></b>	<b><u>-</u></b>	<b><u>1,166,038,869</u></b>
Funds Under External Management	-	1,174,239	-	1,174,239
Derivatives	-	67,263	-	67,263
Securities	1,113,860,954	-	-	1,113,860,954
Investment in International Financial Organizations	50,936,413	-	-	50,936,413
<b>Assets in Local Currency</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>28,092,962</u></b>	<b><u>28,092,962</u></b>
Receivables - Institutions Under Extrajudicial Liquidation	-	-	28,092,962	28,092,962
<b>Liabilities in Foreign Currencies</b>	<b><u>-</u></b>	<b><u>40,990</u></b>	<b><u>-</u></b>	<b><u>40,990</u></b>
Derivatives	-	40,990	-	40,990
<b>Liabilities in Local Currency</b>	<b><u>56,853</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>56,853</u></b>
Derivatives	56,853	-	-	56,853

### At Dec 31, 2016

	Level 1	Level 2	Level 3	Total
<b>Assets in Foreign Currencies</b>	<b><u>1,095,834,471</u></b>	<b><u>19,310,491</u></b>	<b><u>-</u></b>	<b><u>1,115,144,962</u></b>
Funds Under External Management	-	19,236,030	-	19,236,030
Derivatives	-	74,461	-	74,461
Securities	1,047,352,691	-	-	1,047,352,691
Investment in International Financial Organizations	48,481,780	-	-	48,481,780
<b>Assets in Local Currency</b>	<b><u>865,412</u></b>	<b><u>-</u></b>	<b><u>25,933,567</u></b>	<b><u>26,798,979</u></b>
Derivatives	865,412	-	-	865,412
Receivables - Institutions Under Extrajudicial Liquidation	-	-	25,933,567	25,933,567
<b>Liabilities in Foreign Currencies</b>	<b><u>-</u></b>	<b><u>41,578</u></b>	<b><u>-</u></b>	<b><u>41,578</u></b>
Derivatives	-	41,578	-	41,578

Financial instruments measured at fair value are classified as At Fair Value through Profit or Loss, except for the investment in international financial organizations, which are classified as Available-for-sale (Note 3.4.4).

The receivables from institutions under extrajudicial liquidation that were subject to payment in installments, based on Article 65 of Law 12,249, of 2010 (Note 12.1), are classified in Level 3 of the fair value hierarchy due to the fact that the methodology used for their measurement considers the present value of the cash flows, calculated based on the reference rates for ID x TR swaps made available by B3 for the period of the payment in installments, adjusted to incorporate a risk premium that reflects the price of the uncertainty inherent to the cash flows, as established by IFRS 13 – Fair Value Measurement.

The risk premium is calculated by the differential of the interest rate that equals the present value of the contracted cash flow to the cash flow adjusted by the payment capacity of the institution under extrajudicial liquidation, and is estimated based on internal pricing models, which do not reflect objective market parameters, considering the exceptional characteristics of the counterparty.

The table below presents information on the unobservable market parameters that were used in the measurement of the fair value of the receivables from institutions under extrajudicial liquidation at June 30, 2017:

	Measurement	Unobservable parameters	Interval (weighted average)
Receivables - Institutions Under Extrajudicial Liquidation	Present value of cash flows	Risk premium	1.61% - 8.61% (2.89%)

The gains and losses on receivables from institutions under extrajudicial liquidation classified in Level 3 of the fair value hierarchy are recognized in full in the income statement, in Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by decision of the management (Note 19). A 1 percentage point parallel shift of the DI x TR swap curve would have a negative impact of R\$5,599,878 on the result, while a parallel shift of 5 percentage points upwards in the risk premium would have a negative impact of R\$2,012,796 in the result.

There were no transfers of financial instruments between the levels of the fair value hierarchy during the first half of 2017.

The following table presents the changes in the financial instruments classified in Level 3 of the fair value hierarchy:

	1st half of 2017	2nd half of 2016	1st half of 2016
<b>Opening balance</b>	<b>25,933,567</b>	<b>24,468,269</b>	<b>22,498,478</b>
<b>Changes</b>	<b>2,159,395</b>	<b>1,465,298</b>	<b>1,969,791</b>
Fair value adjustment	4,194,274	2,865,218	3,590,315
Write-off	(1,766,410)	(1,399,920)	(1,620,524)
<b>Closing balance</b>	<b>28,092,962</b>	<b>25,933,567</b>	<b>24,468,269</b>

## 26 - RELATED PARTIES

### 26.1. 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, 2017	Dec 31, 2016	Jun 30, 2016
<b>National Treasury Operating Account (Note 11)</b>			
Opening balance	1,039,821,680	977,485,090	881,932,081
(+) remuneration	50,216,235	49,995,161	54,969,562
(+/-) deposits/withdrawals	(88,482,316)	12,341,429	(115,702,487)
(+) transfer of positive result	7,949,199	-	156,285,934
Closing balance	1,009,504,798	1,039,821,680	977,485,090
<b>Securities issued by the National Treasury (Note 9.2)</b>			
Opening balance	1,518,007,723	1,324,511,629	1,279,138,194
(+/-) net purchase (net redemption)	(116,362,448)	21,906,725	(80,111,034)
(+) issuance for recovery of the portfolio	-	-	40,000,000
(+) issuance for covering the negative result/foreign exchange equalization	119,111,333	95,000,000	-
(+) remuneration (Nota 17)	85,971,710	76,852,733	85,194,599
(+/-) fair value adjustment (Nota 23.2)	(15,796)	(263,364)	289,870
Closing balance	1,606,712,522	1,518,007,723	1,324,511,629
<b>Result to be covered by the National Treasury (Note 11)</b>			
Opening balance	18,318,977	17,305,155	-
(+) negative result to be covered	-	-	17,305,155
(+) remuneration	75,082	1,013,822	-
(-) covers	(18,394,059)	-	-
Closing balance	-	18,318,977	17,305,155
<b>Result to be transferred to the National Treasury (Note 11)</b>			
Opening balance	7,783,321	-	41,524,507
(+) positive result to be transferred	11,274,856	7,783,321	-
(+) remuneration	165,878	-	1,041,319
(-) transfers	(7,949,199)	-	(42,565,826)
Closing balance	11,274,856	7,783,321	-
<b>Foreign exchange equalization (Note 8.2.2)</b>			
Opening balance	-	-	-
(+/-) adjustments	15,744,789	55,674,283	184,645,409
(+/-) transfers to accounts payable (receivables)	(15,744,789)	(55,674,283)	(184,645,409)
Closing balance	-	-	-
<b>Receivables due to foreign exchange equalization result (Nota 11)</b>			
Opening balance	155,903,416	184,645,409	-
(+) foreign exchange equalization result	15,744,789	55,674,283	184,645,409
(+) remuneration	3,538,710	10,583,724	-
(-) receipts	(100,717,274)	(95,000,000)	-
Closing balance	74,469,641	155,903,416	184,645,409
<b>Accounts payable due to foreign exchange equalization result (Nota 11)</b>			
Opening balance	-	-	110,938,091
(+) remuneration	-	-	2,782,017
(-) payments	-	-	(113,720,108)
Closing balance	-	-	-
<b>Transfer under budget law (Nota 22)</b>	<b>1,376,087</b>	<b>1,341,394</b>	<b>1,137,888</b>

The table below shows the results of the BCB in the first half of 2017 and in the first and second half of 2016.

The BCB's result considers the income and expenses of all its operations, and is accounted for on the accrual basis (Notes 3.1, 23.1 and 27.a). The result with reserves and foreign exchange derivatives, object of foreign exchange equalization, in turn, represents the cost of loading international reserves and foreign exchange swap operations carried out in the domestic market (Note 8.2.2).

It is worth highlighting that, according to Law 4,595, of 1964, Complementary Law 101, of 2000, and Provisional Measure 2,179-36, of 2001, the results established by the BCB, after the constitution or



reversal of reserves, are transferred to the National Treasury through a deposit in the National Treasury Operating Account up to the 10th working day subsequent to the CMN's approval of the balance sheet, if positive, or covered by it, through the receipt of Securities from the National Treasury to the 10th working day of the fiscal year subsequent to that of approval, if negative, and the amounts remunerated by the intrinsic return of the BCB's securities portfolio between the date of its calculation and that of the actual transfer. Law 11,803, of 2008, establishes the same terms and conditions for the transfer of the financial result of operations with international reserves and foreign exchange derivatives.

	BCB Result		Result with Reserves and Foreign Exchange Derivatives (Foreign Exchange Equalization)	
1st half of 2017	11,274,856	To be transferred to the National Treasury until September 12, 2017	(15,744,789)	To be covered by National Treasury until January 15, 2018
2nd half of 2016	7,783,321	Transferred to the National Treasury on March 13, 2017	(55,674,283)	To be covered by National Treasury until January 15, 2018
1st half of 2017	(17,305,155)	Covered by the National Treasury on January 13, 2017	(184,645,409)	Covered by National Treasury on December 23, 2016 and January 13, 2017

## 26.2. Centrus

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

	Six-month periods ended		
	Jun 30, 2017	Dec 31, 2016	Jun 30, 2016
<b>Actuarial surplus</b>			
Opening balance	1,067,851	1,243,367	1,092,333
(+/-) remeasurements of defined benefit plans	-	(57,286)	-
(+) interest	187,869	186,342	151,034
(-) allocation of surplus of the plan	-	(304,572)	-
Closing balance	1,255,720	1,067,851	1,243,367
<b>Receivables (Note 12)</b>			
Opening balance	555,557	281,049	355,537
(+) interest	24,236	45,596	25,489
(+) allocation of surplus of the plan	-	304,572	-
(-) receipts	(69,485)	(75,660)	(99,977)
Closing balance	510,308	555,557	281,049

## 27 - 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 positive result of R\$7,570,504 in the first quarter and R\$3,701,158 in the second quarter, giving a total result of R\$11,271,662 in the first half of 2017 which, after the realization of reserves, will be transferred to the National Treasury no later than the 10th working day after 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\$25,199,512 in the first quarter and R\$24,780,483 in the second quarter, totaling R\$49,979,995 in the first half of 2017.

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

The cost of maintaining the foreign exchange reserves is calculated, on a daily basis, by the difference between the rate of profitability of the international reserves, including foreign exchange variation, and the average rate of funding calculated by the BCB.

At June 30, 2017, 87.24% of the reserve assets were comprised of securities, as published in the Press Release of the External Sector (table 34), available on the BCB's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

In the first quarter of 2017, the international reserves presented a negative return of 2.08%. After deducting the funding cost of the BCB, the net result of the reserves was negative by 4.48% (R\$52,683,194). In the second quarter, the return of the reserves was 5.08% positive, totaling 2.77% positive (R\$33,601,539) 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 / 2017	1,176,223,101	(2.08)	(2.40)	(4.48)	(52,683,194)
2nd Quarter / 2017	1,212,181,004	5.08	(2.31)	2.77	33,601,539
<b>Total for the six-month period</b>					<b>(19,081,655)</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 2017 a positive return of 0.35%, being comprised of accrued interest (0.19%) and the positive mark-to-market adjustment of the assets (0.16%). After deducting the funding cost, the net result of the reserves was negative by 2.05% (R\$24,078,606). In the second quarter, the profitability of the reserves was positive by 0.19% (0.26% through the accrual of interest and 0.07% through the negative mark-to-market adjustments of the assets), totaling 2.12% negative (R\$25,656,135) 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 / 2017	1,176,223,101	0.35	(2.40)	(2.05)	(24,078,606)
2nd Quarter / 2017	1,212,181,004	0.19	(2.31)	(2.12)	(25,656,135)
<b>Total for the six-month period</b>					<b>(49,734,741)</b>

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

The profitability of the securities portfolio of the BCB, composed exclusively of securities issued by the Federal Government, was R\$44,655,526 in the first quarter and R\$41,316,184 in the second quarter, totaling R\$85,971,710 in the first half of 2017.

Governor: Ilan Goldfajn

Deputy Governors: Anthero de Moraes Meirelles, Carlos Viana de Carvalho, Isaac Sidney Menezes Ferreira, Luiz Edson Feltrim, Otávio Ribeiro Damaso, Reinaldo Le Grazie, Sidnei Corrêa Marques e Tiago Couto Berriel

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

Accountant – CRC-DF 24,829/O-7



# Banco Central do Brasil

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

(A free translation of the original report in Portuguese on interim financial statement prepared in accordance with IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board - IASB)

**June 30, 2017**



KPMG Auditores Independentes  
SBS - Qd. 02 - Bl. Q - Lote 03 - Salas 708 a 711  
Edifício João Carlos Saad  
70070-120 - Brasília/DF - Brasil  
Caixa Postal 8587 - CEP 70312-970 - Brasília/DF - Brasil  
Telefone 55 (61) 2104-2400, Fax 55 (61) 2104-2406  
www.kpmg.com.br

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

To  
The Management of  
Banco Central do Brasil.  
Brasília - DF

### **Introduction**

We have reviewed the condensed interim balance sheet of Banco Central do Brasil ("BCB") as at June 30, 2017, and the related condensed interim income statement, comprehensive income, changes in equity and cash flows for six-month period then ended, as well as the corresponding explanatory notes ("condensed interim financial statements").

The BCB's Management is responsible for the preparation and presentation of the condensed interim financial statement in accordance with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on this condensed interim financial statement based on our review.

### **Scope of the review**

We conducted our review in accordance with Brazilian and international standards on review (NBC TR 2410 and ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial statement consists of 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. Therefore, we do not express an audit opinion.

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

Based on our review, we are not aware of any fact that could lead us to believe that the accompanying condensed interim financial statement referred above are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting.



### **Other matters**

#### **Corresponding values**

The audit of the balance sheet as of December 31, 2016 and the review of the condensed interim financial statements related to the income statement, comprehensive income, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2016, were conducted under the responsibility of other independent auditors, who issued an unqualified audit report and review report dated February 15, 2017 and August 17, 2016, respectively.

Brasília, August 16, 2017

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-DF

A handwritten signature in blue ink, enclosed within a blue oval stamp. The signature appears to be 'Cláudio Rogério Sertório'.

Cláudio Rogério Sertório  
Accountant CRC 1SP212059/O-0