



BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

June 30, 2015

BANCO CENTRAL DO BRASIL
CONDENSED INTERIM BALANCE SHEET

1

In thousands of Reais

ASSETS	Notes	Jun 30, 2015	Dec 31, 2014	LIABILITIES AND EQUITY	Notes	Jun 30, 2015	Dec 31, 2014
ASSETS IN FOREIGN CURRENCIES		<u>1,179,557,347</u>	<u>1,008,907,527</u>	LIABILITIES IN FOREIGN CURRENCIES		<u>37,320,811</u>	<u>26,155,897</u>
Cash and Cash Equivalents	4	30,038,022	25,420,081	Items in the Course of Collection	11	5,281,005	8,084
Time Deposits Placed with Financial Institutions	5	53,836,029	34,111,793	Deposits Received from Financial Institutions		2,206	1,888
Funds Under External Management	6	20,305,293	17,392,858	Financial Assets Sold Under Repurchase Agreements		2,638,162	775,655
Financial Assets Purchased Under Resale Agreements	7.1	13,493,549	28,668,657	Derivatives	8.1	-	662
Derivatives	8.1	-	263	Accounts Payable		12,597,494	11,109,971
Securities	9.1	1,031,544,578	875,684,514	Deposits Received from International Financial Organizations		16,794,572	14,249,810
Receivables		3,796,737	4,310,887	Other		7,372	9,827
Gold		7,889,664	6,867,197				
Investment in International Financial Organizations		18,653,475	16,451,014				
Other		-	263				
ASSETS IN LOCAL CURRENCY		<u>1,150,463,070</u>	<u>1,148,122,839</u>	LIABILITIES IN LOCAL CURRENCY		<u>2,051,119,298</u>	<u>1,891,310,748</u>
Deposits		1,686,311	1,624,101	Items in the Course of Collection	11	12,189	11,616
Financial Assets Purchased Under Resale Agreements		20,369	-	Deposits Received from Financial Institutions	12	317,694,735	325,872,059
Derivatives	8.2	1,704,408	5,595,746	Financial Assets Sold Under Repurchase Agreements	7.2	844,705,477	837,124,219
Federal Government Securities	9.2	1,119,658,133	1,113,234,371	Payables to the Federal Government	13	857,112,784	697,896,062
Receivables from the Federal Government		98	1,574	Accounts Payable		1,057,225	940,652
Receivables	10	24,819,264	25,476,482	Deposits Received from International Financial Organizations		14,988	9,168
Property and Equipment		832,775	825,965	Provisions		30,455,125	29,418,613
Other		1,741,712	1,364,600	Other		66,775	38,359
				CURRENCY IN CIRCULATION	14	<u>195,609,781</u>	<u>220,853,706</u>
				EQUITY	15	<u>45,970,527</u>	<u>18,710,015</u>
				Capital		49,675,451	24,675,451
				Revenue Reserve		6,624,205	6,624,205
				Revaluation Reserve		431,529	434,672
				Gains (Losses) Recognized Directly in Equity		(10,760,658)	(13,024,313)
TOTAL ASSETS		<u>2,330,020,417</u>	<u>2,157,030,366</u>	TOTAL LIABILITIES AND EQUITY		<u>2,330,020,417</u>	<u>2,157,030,366</u>

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	
		2015	2014
Interest income		71,981,583	55,179,687
Interest expenses		(109,566,674)	(81,020,484)
Net interest result	16	(37,585,091)	(25,840,797)
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, held for trading	17	61,668,711	33,588,980
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the management	18	910,067	1,628,287
Gains (losses) from foreign currencies	19	9,419,294	(4,572,634)
Gains (losses) from monetary gold	20	1,022,467	202,036
Other income	21	1,331,637	1,572,550
Other expenses	21	(1,582,426)	(1,306,919)
NET INCOME FOR THE SIX-MONTH PERIOD	22.1	35,184,659	5,271,503

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	
		2015	2014
NET INCOME FOR THE SIX-MONTH PERIOD	22.1	35,184,659	5,271,503
OTHER COMPREHENSIVE INCOME	15	2,263,655	(696,104)
Items which will not be reclassified to results		2,202,461	(867,046)
Investment in International Financial Organizations		2,202,461	(867,046)
Items which may be reclassified to results		61,194	170,942
Federal Government Securities		61,194	170,942
COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD	22.2	37,448,314	4,575,399

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 RESULTS	TOTAL EQUITY
At December 31, 2014	15	24,675,451	6,624,205	434,672	(13,024,313)	-	18,710,015
Constitution of Capital	15	25,000,000	-	-	-	-	25,000,000
Realization of Revaluation Reserves		-	-	(3,143)	-	3,143	-
Gains (Losses) Recognized Directly in Equity		-	-	-	2,263,655	-	2,263,655
Net income for the 1st half of 2015	22.1	-	-	-	-	35,184,659	35,184,659
Result to be transferred to the National Treasury - 1st half of 2015	23.1	-	-	-	-	(35,187,802)	(35,187,802)
At June 30, 2015	15	49,675,451	6,624,205	431,529	(10,760,658)	-	45,970,527
At December 31, 2013		24,675,451	6,624,205	441,299	(13,144,561)	-	18,596,394
Realization of Revaluation Reserves		-	-	(3,143)	-	3,143	-
Gains (Losses) Recognized Directly in Equity		-	-	-	(696,104)	-	(696,104)
Net income for the 1st half of 2014		-	-	-	-	5,271,503	5,271,503
Result transferred to the National Treasury - 1st half of 2014		-	-	-	-	(5,274,646)	(5,274,646)
At June 30, 2014		24,675,451	6,624,205	438,156	(13,840,665)	-	17,897,147

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

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

5

	Notes	Six-month periods ended June 30	
		2015	2014
<u>Net Cash Flow from Operating Activities</u>		(2,130,033)	3,489,874
Interest received		6,146,572	5,655,275
Interest paid		(3,412)	(6,000)
Purchase of securities		(17,143,480)	(19,135,848)
Purchase of foreign currencies		1,464,455	55,713
Redemption of repurchase and reverse repurchase transactions		18,074,520	24,049,162
Placement of time deposits		(12,176,386)	(8,518,358)
Placement of funds under external management		(12,226)	(5,548)
Formation of deposit liabilities		505,846	352,110
Receipts on behalf of the National Treasury		1,046	8,913
Receipt of receivables		1,391,620	1,311,956
Payments resulting from operations with derivatives		(394,406)	(281,625)
Other receipts		15,818	4,124
Net Cash Flow		(2,130,033)	3,489,874
Changes in Cash and Cash Equivalents		(2,130,033)	3,489,874
Cash and cash equivalents at the beginning of the six-month period		25,420,081	23,284,414
Cash and cash equivalents at the end of the six-month period	4	30,038,022	23,877,816
Effect of foreign exchange variation on cash and cash equivalents	19	6,747,974	(2,896,472)

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 19, 2015, their submission to the National Monetary Council (CMN) for the authorization of their disclosure on August 27, 2015, as established by Law 4,595, of 1964. These condensed interim financial statements are published on the BCB's website (www.bcb.gov.br).

2 - PRESENTATION

The BCB's condensed interim financial statements for the six-month period ended June 30, 2015 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, 2014.

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 is transferred to the National Treasury in the event of net income, after the constitution or reversal of reserves, or covered by it in the event of a net loss (Notes 22.1 and 24.a).

3.2. Recognition of interest income and expenses

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

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

3.3. Assets and liabilities in foreign currencies

The functional and reporting currency of these condensed interim financial statements is the Brazilian Real, which represents the currency of the main economic environment in which the BCB operates. Transactions in foreign currencies are translated into Reais at the prevailing foreign exchange rate on the date of the transactions. The foreign exchange restatement referring to monetary assets and liabilities denominated in foreign currencies is calculated on a daily basis, using the closing rate of the free exchange market, with the related gains and losses recognized, on a monthly basis, in profit or loss. The following table presents the foreign exchange rates used on the balance sheet closing date:

	Reais / currency			
	Jun 30, 2015	Dec 31, 2014	Jun 30, 2014	Dec 31, 2013
U.S. Dollar	3.1023	2.6559	2.2022	2.3423
Euro	3.4598	3.2264	3.0144	3.2259
Canadian Dollar	2.4868	2.2915	2.0627	2.2021
Pound Sterling	4.8782	4.1398	3.7667	3.8720
Australian Dollar	2.3897	2.1760	2.0757	2.0937
SDR	4.3630	3.8479	3.4044	3.6072
Yen	0.0254	0.0222	0.0217	0.0223
Swedish Krona	0.3740	0.3438	0.3292	0.3638
Danish Krone	0.4637	0.4334	0.4043	0.4325
Gold (troy ounces)	3,651.8446	3,178.5811	2,904.0411	2,810.5258

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

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

3.4. Financial assets and liabilities

3.4.1 Recognition

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

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

3.4.2 Derecognition

Financial assets are derecognized when:

- a) 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
- b) the BCB transfers the rights to receive the cash flows, substantially transferring all the risks and benefits of ownership. In the cases in which there is no substantial retention or transfer of all the risks and benefits of ownership, the financial assets are derecognized only when there is no retention of control over the transferred financial assets.

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

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

3.4.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and recorded at net value when there is the legal right and the intention to settle the resulting payments and receipts on a net basis. Transactions with these

characteristics are carried out in the Local Currency Payment System (SML) and the Reciprocal Credit and Payment Agreement (CCR), presented in receivables or accounts payable, according to the balance determined on the balance sheet closing date.

3.4.4 Classification of financial instruments

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

a) At Fair Value through Profit or Loss

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

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

b) Held-to-maturity

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

c) Loans and Receivables

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

d) Available-for-sale

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

3.4.5 Measurement

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

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

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

<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 - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At Fair Value through Profit or Loss	Fair value - BCB
Federal Government Securities	Held-to-maturity	Amortized cost
Receivables from the Federal Government	Loans and Receivables	Amortized cost
Receivables - Institutions Under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair value - Discounted cash flow
Receivables - Other	Loans and Receivables	Amortized cost

<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 - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At Fair Value through Profit or Loss	Fair value - BCB
Payables to the Federal Government	Other liabilities	Amortized cost
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

3.4.6 Impairment of financial assets

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

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

- 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 values and the methodologies used.

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

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

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

3.4.7 Derivatives

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

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

3.5. Gold

Since the IFRS do not establish an 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 it is recorded at cost, less accumulated depreciation, when applicable. All the expenses directly attributable to the acquisition or the construction of an asset are included in the cost. Further expenditures are only added to the cost of assets if an increment to the financial flow arising from this addition is probable and measurable. 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 the amounts can be reliably estimated. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

3.7.2 Post-employment benefits

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

a) Defined benefit

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

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

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

b) Defined contribution

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

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

3.8. 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.

3.9. Statement of cash flows

The purpose of the Statement of Cash Flows is to present an entity's capacity to generate cash in order to meet its liquidity requirements. 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 BCB's 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).

4 - CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Cash	457,784	437,420
Demand deposits	12,325,080	11,087,602
Very short-term time deposits	17,255,158	13,895,059
Total	30,038,022	25,420,081

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

The variation in the period was mainly due to the effects of foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3).

5 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

These comprise the portion of international reserves held by the BCB as fixed time deposits in international financial institutions, in accordance with its risk management policy, amounting to R\$53,836,029 (R\$34,111,793 at December 31, 2014).

The variation in the balance of these deposits was basically due to the increase in investments, given that the foreign exchange auction transactions in the interbank market, which expired during the first half of 2015, were not renewed (Note 7.1), in addition to the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3) in the period.

6 - FUNDS UNDER EXTERNAL MANAGEMENT

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Fund managed by the BIS	1,089,530	919,410
External Management Program	19,215,763	16,473,448
Securities	15,598,778	13,601,749
Up to 1 year	4,222,323	3,057,817
1 - 5 years	8,202,717	7,806,241
> 5 years	3,173,738	2,737,691
Index funds	2,910,204	2,325,403
Equity instruments	1,930,729	2,325,403
Fixed income	979,475	-
Cash/receivables	706,781	546,296
Total	20,305,293	17,392,858

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 due to the effects of foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3).

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

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

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

7.1. In foreign currencies

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Financial Assets Purchased Under Resale Agreements	13,493,549	28,668,657
Foreign Market	2,635,674	781,707
Securities	553,977	-
Currencies	2,081,697	781,707
Assets granted as collateral	542,882	-
Domestic Market	10,857,875	27,886,950
Currencies	10,857,875	27,886,950

In the period, the most significant variation in the balances was due to the decrease in operations in foreign currencies carried out in the domestic market, associated with the BCB's activity in the interbank foreign exchange market. This decrease is a result of the non-renewal of a portion of the transactions which fell due in the period. This situation was partially offset by the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3.) in the period.

7.2. In local currency

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Financial Assets Sold Under Repurchase Agreements	844,705,477	837,124,219
Securities	833,664,855	809,062,682
Foreign Currencies	11,040,622	28,061,537
Assets granted as collateral	849,392,369	818,810,675
Freely tradable	249,359,089	170,052,321
Not freely tradable	600,033,280	648,758,354

The changes in the balance of repo transactions reflect the increase of liquidity collected by the BCB, mainly due to the decrease in the compulsory reserve requirements of financial institutions (Note 12), and to the payment, by the BCB, of interest on its open market operations (Note 16) and adjustments in foreign exchange swaps (Notes 8.2.1 and 22.1). This effect was mitigated by the BCB's activity in the interbank foreign exchange market.

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 to manage exposure to market risk, aiming to achieve security, liquidity and profitability.

The notional amounts of the agreements in force and their respective fair values per type of operation and per maturity are presented in the tables below. There is no adjustment balance, whether positive or negative, for futures transactions, since they are settled daily through a margin account.

At Jun 30, 2015

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Securities futures				
<u>1 - 5 years</u>				
U.S. Dollar	-	3,977,521	-	-
<u>> 5 years</u>				
U.S. Dollar	-	252,293	-	-
Australian Dollar	-	17,362	-	-
Total			-	-

At Dec 31, 2014

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
<u>1 - 6 months</u>				
Australian Dollar	16,320	-	113	-
Canadian Dollar	25,206	-	-	-
Euro	48,396	19,358	52	393
Yen	-	62,230	-	-
U.S. Dollar	81,359	90,034	98	269
Index futures				
<u>1 - 5 years</u>				
Euro	1,010,831	-	-	-
Yen	2,326,957	-	-	-
U.S. Dollar	477,505	457,840	-	-
Securities futures				
<u>1 - 5 years</u>				
U.S. Dollar	-	84,600,874	-	-
<u>> 5 years</u>				
U.S. Dollar	25,104,099	24,572	-	-
Total			263	662

8.2. In local currency**8.2.1 Swap**

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

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

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

The contracts can be of the ID x U.S. Dollar Swap with Reset (SCC) type, the object of negotiation of which is the differential 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 effective interest rate of the daily financing calculated at the Special System for Settlement and Custody (Selic) rate and the variation of the foreign exchange rate in relation to the U.S. Dollar. In the long position of these agreements, the BCB is on the asset side in a domestic interest rate (Selic or ID rate), and on the liability side in foreign exchange variation plus exchange coupon, which is a representative interest rate in U.S. Dollars. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus exchange coupon and on the liability side in a domestic interest rate (Selic or ID rate). These contracts have a notional value equivalent to US\$50 thousand and daily financial adjustment. The amount of collateral is stipulated by BM&FBovespa.

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

At Jun 30, 2015

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	27,122,929	-	27,122,929	132,204	-
1 - 6 months	140,451,599	-	140,451,599	722,673	-
6 - 12 months	153,335,146	-	153,335,146	702,057	-
1 - 5 anos	41,858,728	-	41,858,728	147,474	-
Total	362,768,402	-	362,768,402	1,704,408	-

At Dec 31, 2014

	Notional Value			Fair Value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	26,102,478	-	26,102,478	462,450	-
1 - 6 months	134,342,627	-	134,342,627	2,726,880	-
6 - 12 months	122,979,404	-	122,979,404	2,110,475	-
1 - 5 anos	33,428,277	-	33,428,277	295,941	-
Total	316,852,786	-	316,852,786	5,595,746	-

In the first half of 2015, the result of the foreign exchange swaps was R\$37,026,026 negative (R\$20,274,619 positive in the first half of 2014 – Note 22.1).

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 22.1 and 24.a).

In the first half of 2015, the result of the foreign exchange equalization operation was R\$46,406,630 negative (R\$51,223,608 positive in the first half of 2014), as presented in Note 23.1.

a) Equalization of the carrying cost of the international reserves

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

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

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

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

9 - SECURITIES**9.1. In foreign currencies**

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Uncommitted securities	<u>1,030,854,548</u>	<u>875,684,514</u>
1 month	8,169,179	3,249,507
1 - 6 months	66,054,067	75,001,306
6 - 12 months	106,762,312	57,281,478
1 - 5 years	774,377,234	664,535,181
> 5 years	75,491,756	75,617,042
Securities subject to repurchase agreements	<u>542,882</u>	<u>-</u>
1 - 5 years	542,882	-
Securities granted as collateral	<u>877</u>	<u>-</u>
1 - 5 years	877	-
Securities subject to definitive sale operations pending settlement	<u>146,271</u>	<u>-</u>
> 5 years	146,271	-
Total	<u>1,031,544,578</u>	<u>875,684,514</u>

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

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

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Amortized cost	1,025,431,255	870,081,409
Fair value adjustment	6,113,323	5,603,105
Carrying amount	<u>1,031,544,578</u>	<u>875,684,514</u>

The variation in the portfolio of securities in foreign currencies was mainly due to 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, 2015

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	35,387,440	2,213,597	2,278,456	63,329,104	107,215,289	210,423,886
National Treasury Bills (LTN)	35,387,440	2,213,590	2,278,456	16,594,341	-	56,473,827
Financial Treasury Bills (LFT)	-	7	-	303,440	10,918,675	11,222,122
National Treasury Notes - Series B (NTN-B)	-	-	-	4,766,688	19,964,734	24,731,422
National Treasury Notes - Series F (NTN-F)	-	-	-	41,664,635	76,331,880	117,996,515
Securities subject to repurchase agreements	-	52,403,992	95,545,105	394,432,201	307,011,071	849,392,369
National Treasury Bills (LTN)	-	14,314,702	95,545,105	233,715,431	-	343,575,238
Financial Treasury Bills (LFT)	-	38,089,290	-	44,069,611	18,500,004	100,658,905
National Treasury Notes - Series B (NTN-B)	-	-	-	108,094,043	235,916,666	344,010,709
National Treasury Notes - Series F (NTN-F)	-	-	-	8,553,116	52,594,401	61,147,517
Securities granted as collateral	-	-	-	19,056,830	40,784,750	59,841,580
Financial Treasury Bills (LFT)	-	-	-	19,056,830	40,784,750	59,841,580
Untradeable securities	-	109	-	8	181	298
National Treasury Notes - Series P (NTN-P)	-	109	-	8	181	298
Total	35,387,440	54,617,698	97,823,561	476,818,143	455,011,291	1,119,658,133

At Dec 31, 2014

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	54,000,736	3,035,945	4,854,548	69,938,658	114,813,006	246,642,893
National Treasury Bills (LTN)	42,783,369	60,424	3,622,098	13,907,950	-	60,373,841
Financial Treasury Bills (LFT)	-	7	1,232,450	13	19,892,864	21,125,334
National Treasury Notes - Series B (NTN-B)	-	2,975,514	-	7,728,476	20,139,047	30,843,037
National Treasury Notes - Series F (NTN-F)	11,217,367	-	-	48,302,219	74,781,095	134,300,681
Securities subject to repurchase agreements	-	37,043,953	80,679,187	387,781,484	313,306,051	818,810,675
National Treasury Bills (LTN)	-	19,485,211	45,956,505	279,951,002	-	345,392,718
Financial Treasury Bills (LFT)	-	13,068	34,722,682	7,538,573	55,632,354	97,906,677
National Treasury Notes - Series B (NTN-B)	-	17,545,674	-	98,704,017	216,375,225	332,624,916
National Treasury Notes - Series F (NTN-F)	-	-	-	1,587,892	41,298,472	42,886,364
Securities granted as collateral	-	18,945,086	-	17,990,589	10,844,836	47,780,511
Financial Treasury Bills (LFT)	-	18,945,086	-	17,990,589	10,844,836	47,780,511
Untradeable securities	-	4	-	106	182	292
National Treasury Notes - Series P (NTN-P)	-	4	-	106	182	292
Total	54,000,736	59,024,988	85,533,735	475,710,837	438,964,075	1,113,234,371

The BCB seeks to manage 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 composition of this portfolio, therefore, tends to accompany the profile of the federal government debt securities held by the market, whereby, as the securities in its portfolio 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:

- National Treasury Bills (LTN): fixed interest rate set by a discount on the face value;
- Financial Treasury Bills (LFT): floating interest rate set by the adjusted average rate of the daily financing obtained in the Selic (Selic rate);
- National Treasury Notes – Series B (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.;

- National Treasury Notes – Series F (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 23.1, was due to the accrual of interest (Note 16) and the issuance of securities by the National Treasury, in accordance with Law 11,803, of 2008, for the recovery of the BCB's portfolio (Note 15), partially offset by the net redemption of securities in the period.

10 - RECEIVABLES IN LOCAL CURRENCY

At Jun 30, 2015

	Amortized cost	Fair value adjustment	Carrying amount
At Fair Value through Profit or Loss - Designation	39,307,638	(15,374,041)	23,933,597
Banco Nacional - Under Extrajudicial Liquidation	28,690,969	(10,885,393)	17,805,576
Banco Econômico - Under Extrajudicial Liquidation	10,209,325	(4,165,092)	6,044,233
Banco Banorte - Under Extrajudicial Liquidation	407,344	(323,556)	83,788
Loans and Receivables	885,667	-	885,667
Transfer of resources related to rural credit	284,280	-	284,280
Centrus	460,197	-	460,197
Other	141,190	-	141,190
Total	40,193,305	(15,374,041)	24,819,264

At Dec 31, 2014

	Amortized cost	Fair value adjustment	Carrying amount
At Fair Value through Profit or Loss - Designation	39,458,705	(14,933,550)	24,525,155
Banco Nacional - Under Extrajudicial Liquidation	28,773,296	(10,634,821)	18,138,475
Banco Econômico - Under Extrajudicial Liquidation	10,262,622	(3,964,483)	6,298,139
Banco Banorte - Under Extrajudicial Liquidation	422,787	(334,246)	88,541
Loans and Receivables	951,327	-	951,327
Transfer of resources related to rural credit	257,730	-	257,730
Centrus	553,987	-	553,987
Other	139,610	-	139,610
Total	40,410,032	(14,933,550)	25,476,482

10.1. At Fair Value through Profit or Loss – Designation

This refers basically to receivables of the BCB 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 credits of the BCB 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, 2015 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% per annum. 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 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.

10.2. Loans and Receivables

These are mainly represented by receivables from Centrus, due to changes in the regulation of the benefit plan and distribution of surplus. The changes in the balances in the period are due to the receipt of the monthly installments, partially offset by the accrual of interest (Note 23.2).

11 - ITEMS IN THE COURSE OF COLLECTION

These items refer basically to contracted operations pending settlement on the balance sheet date, whose financial settlement will occur within three days. At June 30, 2015, the balance of items in the course of collection, denominated in foreign and local currencies, was R\$5,281,005 and R\$12,189 (R\$8,084 and R\$11,616 at December 31, 2014), respectively.

The variation in the balance is due to a higher concentration of operations pending settlement at the end of June 2015, in comparison with the end of 2014.

12 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS IN LOCAL CURRENCY

	Jun 30, 2015	Dec 31, 2014
Demand Deposits	36,348,943	42,674,811
Time Deposits	52,086,480	41,187,190
Savings Deposits	142,553,974	122,393,740
Additional Requirements	85,793,554	118,574,108
Deficiencies in applications in rural credit	445,771	445,771
Other	466,013	596,439
Total	317,694,735	325,872,059

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 BCB, in federal government securities. The deposits made in cash are recognized as demand liabilities of the BCB.

The change in the balance of deposits received from financial institutions is associated with the fluctuation in the amounts subject to collection and with the changes in the rules for the main compulsory reserve requirements verified in the period.

13 - PAYABLES TO THE FEDERAL GOVERNMENT

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
National Treasury Operating Account	774,016,202	605,920,552
Foreign exchange equalization result	46,406,630	65,173,472
Result to be transferred to the National Treasury	35,187,802	25,658,860
Other	1,502,150	1,143,178
Total	857,112,784	697,896,062

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are detailed in Note 23.1.

The increase of payables to the Federal Government is associated mainly to the behavior of the balance of the National Treasury Operating Account, whose effect was diminished due to the result of the first half of 2015, including the foreign exchange equalization, to be transferred to the National Treasury, in an amount lower than that obtained in the second half of 2014.

14 - CURRENCY IN CIRCULATION

The Currency in Circulation represents the balance of bank notes and coins in circulation, held by general public and financial institutions, recorded at the issuing amount, totaling R\$195,609,781 (R\$220,853,706 at December 31, 2014).

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.

15 - EQUITY

	<u>Jun 30, 2015</u>	<u>Dec 31, 2014</u>
Capital	49,675,451	24,675,451
Revenue Reserve	6,624,205	6,624,205
Revaluation Reserve	431,529	434,672
Gains (Losses) Recognized Directly in Equity	(10,760,658)	(13,024,313)
Investment in International Financial Organizations	1,545,667	(656,794)
Federal government securities	1,732,305	1,671,111
Remeasurements of defined benefit plans	(14,038,630)	(14,038,630)
Total	45,970,527	18,710,015

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

16 - NET INTEREST RESULT

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

	Six-month periods ended June 30	
	2015	2014
Interest income	71,981,583	55,179,687
In Foreign Currencies	47,035	39,571
Cash and Cash Equivalents (Note 4)	16,017	12,869
Time Deposits Placed with Financial Institutions (Note 5)	22,643	18,834
Reverse Repo (Note 7.1)	4,358	2,632
Other	4,017	5,236
In Local Currency	71,934,548	55,140,116
Securities (Note 9.2)	71,613,091	54,789,121
Federal Government	-	33,334
Other	321,457	317,661
Interest expenses	(109,566,674)	(81,020,484)
In Foreign Currencies	(1,065,788)	(1,196,060)
Repo	(1,062,005)	(1,190,162)
Loans	(3,139)	(5,336)
Other	(644)	(562)
In Local Currency	(108,500,886)	(79,824,424)
Deposits Received from Financial Institutions (Note 12)	(13,514,463)	(14,218,636)
Repo (Note 7.2)	(52,527,282)	(34,418,298)
Federal Government (Note 13)	(41,072,370)	(29,953,270)
Other	(1,386,771)	(1,234,220)
Net interest result	(37,585,091)	(25,840,797)

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

17 - 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	
	2015	2014
In Foreign Currencies	145,101,367	(37,909,238)
Securities (Note 9.1)	142,528,222	(37,393,562)
Funds Under External Management (Note 6)	2,913,110	(232,476)
Other	(339,965)	(283,200)
In Local Currency	(83,432,656)	71,498,218
Derivatives (Note 8.2)	(83,432,656)	71,498,227
Other	-	(9)
Total	61,668,711	33,588,980

The variation is mainly a result of the effects of the depreciation of the Real against the U.S. Dollar in the first half of 2015 (Note 3.3), the currency in which a significant part of the securities portfolio is

denominated, while in the first half of 2014 there was an opposite movement in the foreign exchange rates. Another relevant variation is observed in derivatives in local currency, which can be explained by the behavior of the equalization operation of the carrying cost of the international reserves between the National Treasury and the BCB (Note 24.c).

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

These include interest and fair value adjustment of the receivables with institutions under extrajudicial liquidation (Note 10.1), amounting to R\$910,067 (R\$1,628,287 in the first half of 2014).

19 - 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	
	2015	2014
Cash and Cash Equivalents	6,747,974	(2,896,472)
Time Deposits Placed with Financial Institutions	4,732,298	(2,574,868)
Repurchase agreements	1,022,849	(318,125)
Receivables	541,154	(230,349)
Items in the Course of Collection	(215,070)	166,353
Accounts Payable	(1,487,345)	585,506
Deposits Received from International Financial Organizations	(1,910,611)	693,585
Other	(11,955)	1,736
Total gains (losses) from foreign currencies	9,419,294	(4,572,634)

The result presented arises from the effects of the depreciation of the Real against the main foreign currencies in the first half of 2015 (Note 3.3), while in the first half of 2014 the foreign exchange rates presented an opposite trend.

20 - GAINS (LOSSES) FROM MONETARY GOLD

These refer to the changes in the price of gold (Note 3.3) and include foreign exchange variation and fair value adjustment, amounting to R\$1,022,467 (R\$202,036 in the first half of 2014).

The change in the balance in the period is due to the effects of the foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3), while in the first half of 2014 the foreign exchange rates presented an opposite trend. Furthermore, the fair value adjustment of gold in the first half of 2015 was negative, whereas this fair value adjustment was positive in the first half of 2014.

21 - OTHER INCOME AND EXPENSES

	Six-month periods ended June 30	
	2015	2014
Other Income	<u>1,331,637</u>	<u>1,572,550</u>
Fines	36,591	8,813
Transfer from the National Treasury	1,054,882	1,380,404
Court-ordered debts	29,640	166
Reversal of provision for litigation	40,678	9,308
Tariffs	111,524	106,430
Other	58,322	67,429
Other Expenses	<u>(1,582,426)</u>	<u>(1,306,919)</u>
Personnel	(935,629)	(772,814)
Production and distribution of notes and coins	(333,068)	(73,414)
Provision for litigation	(150,536)	(96,672)
Depreciation	(15,798)	(18,012)
Other	(147,395)	(346,007)

22 - INCOME STATEMENT

22.1. Net income for the six-month period

The result for the six-month period was positive by R\$35,184,659 (R\$5,271,503 in the first half of 2014), as shown in the table below:

	Six-month periods ended June 30	
	2015	2014
International Reserve Operations and Swaps	-	-
Profitability of the international reserves	157,653,446	(44,452,354)
Foreign exchange derivatives - Swaps in local currency	(37,026,026)	20,274,619
Foreign exchange equalization of reserves and derivatives (Profitability)	(120,627,420)	24,177,735
Other transactions in foreign currencies	(3,129,071)	1,016,029
Transactions in local currency	38,564,519	3,989,852
Interest income	71,934,548	55,140,116
Interest expenses	(108,500,886)	(79,824,424)
Foreign exchange equalization (Funding cost)	74,220,790	27,045,873
Institutions under liquidation (Fair value adjustment)	910,067	1,628,287
Other transactions in local currency	(250,789)	265,622
Net income for the six-month period	<u>35,184,659</u>	<u>5,271,503</u>

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 liquidation also contributed to the result.

As required by the applicable legislation, the result for the first half of 2015 will be transferred to the National Treasury no later than the 10th working day after the approval of these financial statements by the CMN (Note 1).

22.2. 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 15.

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 15), prior to the portfolio reclassification, is amortized to the income statement during the remaining life of the reclassified securities.

23 - RELATED PARTIES

23.1. 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, 2015	Dec 31, 2014	Jun 30, 2014
National Treasury Operating Account (Note 13)			
Opening balance	605,920,552	640,464,884	655,965,327
(+) remuneration	38,537,728	25,755,677	29,360,832
(+/-) deposits/withdrawals	36,552,559	(65,674,776)	(75,640,162)
(+) transfer of positive result	93,005,363	5,374,767	30,778,887
Closing balance	774,016,202	605,920,552	640,464,884
Securities issued by the National Treasury (Note 9.2)			
Opening balance	1,113,234,371	995,871,520	953,068,070
(+/-) net purchase (net redemption)	(90,250,523)	10,147,363	(22,927,893)
(+) issuance for recovery of the portfolio (Note 15)	25,000,000	-	-
(+) issuance for covering the negative result/foreign exchange equalization	-	53,572,530	11,003,331
(+) remuneration	71,613,091	54,029,026	54,789,121
(+/-) fair value adjustment (Note 22.2)	61,194	(386,068)	(61,109)
Closing balance	1,119,658,133	1,113,234,371	995,871,520
Result to be transferred to the National Treasury (Note 13)			
Opening balance	25,658,860	5,274,646	14,270,953
(+) positive result to be transferred	35,187,802	25,658,860	5,274,646
(+) remuneration	613,851	100,122	278,426
(-) transfers	(26,272,711)	(5,374,768)	(14,549,379)
Closing balance	35,187,802	25,658,860	5,274,646
Foreign exchange equalization			
Opening balance	-	-	-
(+/-) adjustments	(46,406,630)	(65,173,472)	51,223,608
(+/-) transfers to accounts payable (receivables)	46,406,630	65,173,472	(51,223,608)
Closing balance	-	-	-
Receivables due to foreign exchange equalization result (Note 10)			
Opening balance	-	51,223,608	10,970,069
(+) foreign exchange equalization result	-	-	51,223,608
(+) remuneration	-	2,348,922	33,262
(-) amounts received	-	(53,572,530)	(11,003,331)
Closing balance	-	-	51,223,608
Accounts payable due to foreign exchange equalization result (Note 13)			
Opening balance	65,173,472	-	15,918,931
(-) foreign exchange equalization result	46,406,630	65,173,472	-
(-) remuneration	1,559,180	-	310,577
(+) payments	(66,732,652)	-	(16,229,508)
Closing balance	46,406,630	65,173,472	-
Transfer under budget law (Note 21)	1,054,882	1,186,068	1,380,404

23.2. Centrus

The main transactions between the BCB and Centrus were the following:

	Six-month periods ended		
	Jun 30, 2015	Dec 31, 2014	Jun 30, 2014
Actuarial Surplus			
Opening balance	1,296,278	1,378,195	1,251,008
(+/-) remeasurements of defined benefit plans	-	(261,765)	-
(+) interest	165,658	179,848	127,187
Closing balance	1,461,936	1,296,278	1,378,195
Receivables (Note 10.2)			
Opening balance	553,987	642,855	1,538,119
(+) interest	41,548	28,356	53,473
(-) amounts received	(135,338)	(117,224)	(948,737)
Closing balance	460,197	553,987	642,855

24 - 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 (Complementary Law 101 of May 4, 2000):

“Article 7. The result of the Banco Central do Brasil, calculated after the recording or reversal of reserves, constitutes revenue of the National Treasury and will be transferred no later than the 10th working day subsequent to the approval of the semiannual balance sheets.

Paragraph 1. The negative result will constitute a liability of the Treasury owed to the Banco Central do Brasil and will be consigned in a specific budget allocation account.”

Pursuant to Clause II of Article 2 of Provisional Measure 2,179-36, of August 24, 2001, this negative result must be covered no later than the 10th working day of the year following the approval of the balance sheet by the 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\$36,013,100 in the first quarter and a negative result of R\$828,441 in the second quarter, totaling a positive result of R\$35,184,659 in the first half of 2015 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\$17,011,879 in the first quarter and R\$21,887,459 in the second quarter, totaling R\$38,899,338 in the first half of 2015.

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, 2015, 91.72% of the reserve assets were composed of securities, as published in the Press Release of the External Sector (table 30), available on the BCB's website (www.bcb.gov.br).

In the first quarter of 2015, the international reserves presented a positive return of 18.26%. After deducting the funding cost of the BCB, the net result of the reserves was positive by 13.08% (R\$139,533,856). In the second quarter, the return of the reserves was 3.26% negative, totaling 4.91% negative (R\$56,101,200) 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/2015	1,067,069,799	18.26	(5.18)	13.08	139,533,856
2nd quarter/2015	1,143,572,055	(3.26)	(1.65)	(4.91)	(56,101,200)
Total for the half year					83,432,656

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 2015 a positive return of 0.65%, being comprised of accrued interest (0.11%) and the positive mark-to-market adjustment of the assets (0.54%). After deducting the funding cost, the net result of the reserves was negative by 4.53% (R\$48,358,135). In the second quarter, the profitability of the reserves was negative by 0.27% (0.13% through the accrual of interest and 0.40% through the negative mark-to-market adjustment of the assets), totaling 1.92% negative (R\$21,949,123) 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/2015	1,067,069,799	0.65	(5.18)	(4.53)	(48,358,135)
2nd quarter/2015	1,143,572,055	(0.27)	(1.65)	(1.92)	(21,949,123)
Total for the half year					(70,307,258)

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\$35,829,854 in the first quarter and R\$35,783,237 in the second quarter, totaling R\$71,613,091 in the first half of 2015.

Governor: Alexandre Antonio Tombini

Deputy governors: Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Luiz Awazu Pereira da Silva, Luiz Edson Feltrim, Otávio Ribeiro Damaso, Sidnei Corrêa Marques and Tony Volpon

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

(A free translation of the original in Portuguese)

Banco Central do Brasil
Condensed interim
financial statements at
June 30, 2015
and report on review



(A free translation of the original in Portuguese)

Report on review of condensed interim financial statements

To the Management
Banco Central do Brasil

Introduction

We have audited the accompanying condensed interim balance sheet of Banco Central do Brasil ("BCB") as at June 30, 2015, and the related condensed interim statements of income, comprehensive income, changes in equity and foreign currency cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of the review

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

Conclusion on the condensed interim financial statements

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



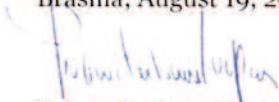
Banco Central do Brasil

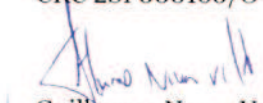
Other matters

Supplementary information

We have also reviewed the supplementary information to the condensed interim financial statements presented in Note 24, which is not required by the IAS 34 but is being presented in compliance with the Fiscal Responsibility Law. This supplementary information has been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the condensed interim financial statements taken as a whole.

Brasília, August 19, 2015


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" DF


Guilherme Naves Valle
Contador CRC 1MG070614/O-5 "S" DF