



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

# **Financial Statements**

December 31, 2015

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

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ASSETS	Notes	Dec 31, 2015	Dec 31, 2014	LIABILITIES AND EQUITY	Notes	Dec 31, 2015	Dec 31, 2014
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>1,471,172,680</u></b>	<b><u>1,008,907,527</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>46,367,534</u></b>	<b><u>26,155,897</u></b>
Cash and Cash Equivalents	4	52,681,331	25,420,081	Items in the Course of Collection	16	5,486,551	8,084
Time Deposits Placed with Financial Institutions	5.1	60,164,002	34,111,793	Deposits Received from Financial Institutions	17	2,776	1,888
Funds Under External Management	6	24,098,779	17,392,858	Financial Assets Sold Under Repurchase Agreements	7.1	4,002,380	775,655
Financial Assets Purchased Under Resale Agreements	7.1	57,465,756	28,668,657	Derivatives	8.1	5,400	662
Derivatives	8.1	5,053	263	Accounts Payable	18.1	15,621,696	11,109,971
Securities	9.1	1,239,810,314	875,684,514	Deposits Received from International Financial Organizations	19	21,244,185	14,249,810
Receivables	11.1	4,879,984	4,310,887	Other		4,546	9,827
Gold	12	8,935,741	6,867,197				
Investment in International Financial Organizations	13	23,131,720	16,451,014				
Other	15	-	263				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>1,312,701,235</u></b>	<b><u>1,148,122,839</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>2,408,539,647</u></b>	<b><u>1,891,310,748</u></b>
Cash and Cash Equivalents	4	5,466,720	-	Items in the Course of Collection	16	14,185	11,616
Deposits	5.2	1,360,612	1,624,101	Deposits Received from Financial Institutions	17	368,414,269	325,872,059
Derivatives	8.2	-	5,595,746	Financial Assets Sold Under Repurchase Agreements	7.2	967,748,493	837,124,219
Federal Government Securities	9.2	1,279,138,194	1,113,234,371	Derivatives	8.2	7,375,435	-
Receivables from the Federal Government	10	64,837	1,574	Payables to the Federal Government	10	1,036,601,593	697,896,062
Receivables	11.2	24,659,216	25,476,482	Accounts Payable	18.2	685,654	940,652
Property and Equipment	14	847,165	825,965	Deposits Received from International Financial Organizations	19	12,457	9,168
Other	15	1,164,491	1,364,600	Provisions	20	27,624,434	29,418,613
				Other		63,127	38,359
				<b>CURRENCY IN CIRCULATION</b>	21	<b><u>225,485,184</u></b>	<b><u>220,853,706</u></b>
				<b>EQUITY</b>		<b><u>103,481,550</u></b>	<b><u>18,710,015</u></b>
				Capital	22.1	99,675,451	24,675,451
				Revenue Reserve	22.2	6,624,205	6,624,205
				Revaluation Reserve	22.2	428,561	434,672
				Gains (Losses) Recognized Directly in Equity	22.3	(3,246,667)	(13,024,313)
<b>TOTAL ASSETS</b>		<b><u>2,783,873,915</u></b>	<b><u>2,157,030,366</u></b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,783,873,915</u></b>	<b><u>2,157,030,366</u></b>

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

**BANCO CENTRAL DO BRASIL****INCOME STATEMENT****2****In thousands of Reais**

	<b>Notes</b>	<b>Years ended December 31</b>	
		<b>2015</b>	<b>2014</b>
Interest income		146,214,472	111,890,776
Interest expenses		<u>(242,675,875)</u>	<u>(168,409,767)</u>
Net interest result	<b>23</b>	(96,461,403)	(56,518,991)
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, held for trading	<b>24</b>	144,970,262	80,416,796
Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the management	<b>25</b>	1,050,024	3,479,508
Gains (losses) from foreign currencies	<b>26</b>	25,020,111	2,418,064
Gains (losses) from monetary gold	<b>27</b>	2,068,545	795,169
Other income	<b>28</b>	2,973,761	3,064,853
Other expenses	<b>28</b>	(2,915,102)	(2,728,520)
<b>NET INCOME FOR THE YEAR</b>	<b>29.1</b>	<b><u>76,706,198</u></b>	<b><u>30,926,879</u></b>

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

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

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	Notes	Years ended December 31	
		2015	2014
<b>NET INCOME FOR THE YEAR</b>	<b>29.1</b>	<b>76,706,198</b>	<b>30,926,879</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>22.3</b>	<b>9,777,646</b>	<b>120,248</b>
<b>Items which will not be reclassified to profit or loss</b>		<b>9,599,358</b>	<b>335,374</b>
Investment in International Financial Organizations		6,680,705	1,029,084
Remeasurements of Defined Benefit Plans		2,918,653	(693,710)
<b>Items which may be reclassified to profit or loss</b>		<b>178,288</b>	<b>(215,126)</b>
Federal Government Securities		178,288	(215,126)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>29.2</b>	<b>86,483,844</b>	<b>31,047,127</b>

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

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

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In thousands of Reals

	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	RETAINED RESULTS	TOTAL EQUITY
<b>At December 31, 2014</b>		<b>24,675,451</b>	<b>6,624,205</b>	<b>434,672</b>	<b>(13,024,313)</b>	<b>-</b>	<b>18,710,015</b>
Constitution of Capital	22.1	75,000,000	-	-	-	-	75,000,000
Realization of Revaluation Reserves	22.2	-	-	(6,111)	-	6,111	-
Gains (Losses) Recognized Directly in Equity	22.3	-	-	-	9,777,646	-	9,777,646
Net income for the 1st half of 2015		-	-	-	-	35,184,659	35,184,659
Net income for the 2nd half of 2015		-	-	-	-	41,521,539	41,521,539
Net income for 2015	29.1	-	-	-	-	76,706,198	76,706,198
Result transferred to the National Treasury - 1st half of 2015	39.1.b	-	-	-	-	(35,187,802)	(35,187,802)
Result to be transferred to the National Treasury - 2nd half of 2015	39.1.b	-	-	-	-	(41,524,507)	(41,524,507)
<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>
<b>At December 31, 2013</b>		<b>24,675,451</b>	<b>6,624,205</b>	<b>441,299</b>	<b>(13,144,561)</b>	<b>-</b>	<b>18,596,394</b>
Realization of Revaluation Reserves	22.2	-	-	(6,627)	-	6,627	-
Gains (Losses) Recognized Directly in Equity	22.3	-	-	-	120,248	-	120,248
Net income for the 1st half of 2014		-	-	-	-	5,271,503	5,271,503
Net income for the 2nd half of 2014		-	-	-	-	25,655,376	25,655,376
Net income for 2014	29.1	-	-	-	-	30,926,879	30,926,879
Result transferred to the National Treasury - 1st half of 2014	39.1.b	-	-	-	-	(5,274,646)	(5,274,646)
Result transferred to the National Treasury - 2nd half of 2014	39.1.b	-	-	-	-	(25,658,860)	(25,658,860)
<b>At December 31, 2014</b>		<b>24,675,451</b>	<b>6,624,205</b>	<b>434,672</b>	<b>(13,024,313)</b>	<b>-</b>	<b>18,710,015</b>

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

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

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	Notes	Years ended December 31	
		2015	2014
<b><u>Net Cash Flow from Operating Activities</u></b>		<b>11,756,106</b>	<b>1,739,173</b>
Interest received		13,936,924	11,387,435
Interest paid		(7,344)	(9,772)
Sale (purchase) of securities		20,074,846	(24,494,173)
Purchase of foreign currencies		1,997,896	1,467,751
(Placement) redemption of repurchase and reverse repurchase transactions		(18,463,311)	12,985,134
Placement of time deposits		(8,500,564)	(2,773,602)
Placement of funds under external management		(21,081)	(229,828)
Formation of deposit liabilities		711,676	919,775
Receipts on behalf of the National Treasury		10,201	22,862
Receipt of receivables		2,504,701	2,517,351
Payments resulting from operations with derivatives		(512,492)	(53,626)
Other receipts (payments)		24,654	(134)
<b><u>Net Cash Flow</u></b>		<b>11,756,106</b>	<b>1,739,173</b>
<b><u>Changes in Cash and Cash Equivalents</u></b>		<b>11,756,106</b>	<b>1,739,173</b>
Cash and cash equivalents at the beginning of the year		25,420,081	23,284,414
Cash and cash equivalents at the end of the year	<b>4</b>	52,681,331	25,420,081
Effect of foreign exchange variation on cash and cash equivalents	<b>26</b>	15,505,144	396,494

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

## 2 - PRESENTATION

The BCB's financial statements as at December 31, 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

When carrying out its activities as a monetary authority, the BCB applies financial instruments which are adequate for the management of the country's international reserves and for the execution of the monetary policy. Within this context, and with the purpose of presenting more relevant information for the users 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 04, 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.

### 2.1. Standards and amendments to standards already issued that are not yet effective and which were not adopted in advance by the BCB

- IFRS 9 – Financial Instruments: in July 2014, the IASB issued the final version of IFRS 9 bringing together the classification and measurement of financial assets, the impairment and the hedge accounting, as part of the project for the replacement of International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurement. This version adds a new impairment model and amendments to the classification and measurement of financial assets. This standard is mandatory for annual periods beginning on or after January 1st, 2018, and it is not possible, at this moment, to estimate the potential effects on the financial statements of the BCB.
- IFRS 15 – Revenue from Contracts with Customers: in May 2014, the IASB issued IFRS 15 in replacement of IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue: Barter Transactions Involving Advertising Services. Even though IFRS 15 is applicable to contracts with customers, it is not applicable to insurance contracts, financial instruments or lease agreements, which are covered by the scope of other IFRS. This standard is mandatory for annual periods beginning on or after January 1st, 2018, and it is not possible, at this moment, to estimate the potential effects on the financial statements of the BCB.

### 2.2. Standards and amendments to standards already issued that are not yet effective and for which no effects are expected on the financial statements

- Amendments to IAS 1 – Presentation of Financial Statements: in December 2014, the IASB issued amendments to IAS 1, in order to clarify perceived impediments to preparers of financial statements exercising their professional judgment in presenting their financial statements. These amendments are mandatory for annual periods beginning on or after January 1st, 2016.
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets: in May 2014, the IASB issued amendments to IAS 16 and IAS 28 in order to provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. These amendments are mandatory for annual periods beginning on or after January 1st, 2016.

### 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 29.1 e 40.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 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		
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
U.S. Dollar	3.9045	2.6559	2.3423
Euro	4.2493	3.2264	3.2259
Canadian Dollar	2.8165	2.2915	2.2021
Pound Sterling	5.7869	4.1398	3.8720
Australian Dollar	2.8522	2.1760	2.0937
SDR	5.4105	3.8479	3.6072
Yen	0.0324	0.0222	0.0223
Swedish Krona	0.4625	0.3438	0.3638
Danish Krone	0.5694	0.4334	0.4325
Gold (troy ounces)	4,136.0369	3,178.5811	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), the Chinese Renminbi (CNY) 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 (Note 11.1) or accounts payable (Note 18.1), 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:

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

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

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

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

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

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

### 3.4.7 Derivatives

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

The BCB does not apply hedge accounting as established by IAS 39 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 it 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 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 this amount can be reliably estimated. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of financial assets and liabilities which are not quoted in an active market is established by using pricing models, which make maximum use of objective market inputs. When these inputs are not available, judgment is required for determining the fair value. The methodologies for calculation of the fair value are described in detail in Notes 3.4.5 and 31. The sensitivity analysis of financial assets and liabilities to changes in the used inputs is disclosed in Note 36.4.

**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). Judgments used in this assessment are described in more details in Note 20.1.

**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, as detailed in Note 20.2. 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 (Note 3.10).

**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.

### 3.10. 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 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

	Dec 31, 2015	Dec 31, 2014
<b>In Foreign Currencies</b>	<b>52,681,331</b>	<b>25,420,081</b>
Cash	379,836	437,420
Demand deposits	16,140,501	11,087,602
Very short-term time deposits	36,160,994	13,895,059
<b>In Local Currency</b>	<b>5,466,720</b>	<b>-</b>
<b>Total</b>	<b>58,148,051</b>	<b>25,420,081</b>

The amounts in foreign currencies mainly correspond to the portion of international reserves held by the BCB as demand deposits and very short-term time deposits, in accordance with its risk management policy (Notes 34 to 38). International reserves are the monetary assets available for coverage of imbalances in payments and, in some situations, for other financial requirements of the monetary authorities of a country.

The variation in the period was mainly due to the increase in investments, taking into consideration the diversification of the investment portfolio involving very short-term time deposits and securities in foreign currencies (Note 9.1), in addition to the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3).

## 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 (Notes 34 to 38), amounting to R\$60,164,002 (R\$34,111,793 at December 31, 2014).

The variation in the balance of these deposits was basically due to the increase in investments, taking into consideration the diversification of the investment portfolio involving time deposits and securities in foreign currencies (Note 9.1), in addition to the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3) in the period.

### 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 (Note 20.1) or a court-ordered debt payable (Note 18.2). They are remunerated by the effective interest rate of the daily financing calculated at the Special System for Settlement and Custody (Selic rate) and, due to this entailment, are unavailable until the court decision on the matter under dispute. At December 31, 2015, the balance amounted to R\$1,360,612 (R\$1,624,101 at December 31, 2014).

## 6 - FUNDS UNDER EXTERNAL MANAGEMENT

	Dec 31, 2015	Dec 31, 2014
<b>Fund managed by the BIS</b>	<b>1,343,851</b>	<b>919,410</b>
<b>External Management Program</b>	<b>22,754,928</b>	<b>16,473,448</b>
<b>Securities</b>	<b>17,731,178</b>	<b>13,601,749</b>
Up to 1 year	4,267,564	3,057,817
1 - 5 years	9,586,528	7,806,241
> 5 years	3,877,086	2,737,691
<b>Index funds</b>	<b>3,822,169</b>	<b>2,325,403</b>
Equity instruments	3,822,169	2,325,403
<b>Cash/receivables</b>	<b>1,201,581</b>	<b>546,296</b>
<b>Total</b>	<b>24,098,779</b>	<b>17,392,858</b>

### 6.1. Fund managed by the BIS

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 portfolio is managed by three external managers, selected by the BIS, each with a specific investment strategy, namely: active management, enhanced indexing and passive management.

The quota holders of the fund can request the partial or complete withdrawal of their investments at any time, as long as, in accordance with the judgment of the BIS, the requested amount does not have a significant impact on the market prices of the Fund's assets. However, the BIS provides immediate liquidity if the requested settlement is not implemented due to market conditions.

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

### 6.2. Program for External Management of International Reserves

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 was mainly due to the effects of the foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3) and to the fair value adjustment of the investments.

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

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

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

## 7.1. In foreign currencies

	Dec 31, 2015	Dec 31, 2014
<b>Financial Assets Purchased Under Resale Agreements</b>	<b><u>57,465,756</u></b>	<b><u>28,668,657</u></b>
<b>Foreign Market</b>	<b>4,071,719</b>	<b>781,707</b>
Currencies	4,071,719	781,707
<b>Domestic Market</b>	<b>53,394,037</b>	<b>27,886,950</b>
Currencies	53,394,037	27,886,950
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b><u>4,002,380</u></b>	<b><u>775,655</u></b>
<b>Foreign Market</b>	<b>4,002,380</b>	<b>775,655</b>
Currencies	4,002,380	775,655

### a) Financial assets purchased under resale agreements (reverse repo)

In transactions realized in the foreign market, securities issued by central governments with an Aaa credit rating by Moody's are received as collateral. The quantities of securities and amounts received as collateral are continuously monitored and adjusted according to price and risk parameters. The calculation of the collateral required is made considering the collateral per counterparty, with a margin adjustment whenever the collateral offered in the repo operations is more than 98% of the collateral received in the reverse repo operations.

The BCB is not subject to restrictions on the sale, encumbrance, loan and transfer of securities deposited as collateral, provided that it returns them on the final date of the operation. These guarantees will be exercised in the event of default of one of the parties, as established by The Bond Market Association (TBMA) and the International Securities Market Association (ISMA) through the documents Master Repurchase Agreement or Global Master Repurchase Agreement.

In the domestic market, the BCB is authorized to carry out combined operations of interbank foreign currency, through spot sales auctions combined with auctions of the forward repurchase of foreign currency, with the purpose of meeting the demand for U.S. Dollars and ensuring appropriate levels of liquidity of the SFN.

In the period, the most relevant variation in the balances involved the increase in operations carried out in the domestic market, associated with the BCB's activity in the interbank foreign exchange market and with the diversification of the investment portfolio involving repos and reverse repos and securities in foreign currencies (Note 9.1), as well as the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3).

### b) Financial assets sold under repurchase agreements (repo)

In repo operations, securities existing in the portfolio of the BCB, issued by central governments with an Aaa credit rating by Moody's, are offered as collateral. The BCB delivers securities amounting to 98% of the financial value of the repurchase agreement (repo) operations to hedge against credit and market risks. The manner of calculating and realizing the collateral is identical to the reverse repo operations.



## 7.2. In local currency

	Dec 31, 2015	Dec 31, 2014
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b>967,748,493</b>	<b>837,124,219</b>
Securities	913,279,784	809,062,682
Foreign Currencies	54,468,709	28,061,537
<b>Assets granted as collateral</b>	<b>961,694,658</b>	<b>818,810,675</b>
Freely tradeable	186,808,888	170,052,321
Not freely tradeable	774,885,770	648,758,354

The collateral of repos and reverse repos involving securities is always constituted in federal government securities held in custody in the Selic, which are valued at prices lower than those observed in the secondary market for the purpose of hedging the lender of the funds against changes in the market interest rates (prices). Since the value of the collateral is established at the time of contracting the operation and there is no provision for an adjustment during its effectiveness, the lender of resources assumes the risk of changes in market prices of the collaterals when they fall below those established at the time of contracting the operation.

Repo operations may be established with a clause of “free tradeability”, in which the securities may be subject to final sale, provided they are returned on the settlement date of the repo operation, or “without free tradeability”, where final sale is not permitted during the term of the operation. On the other hand, reverse repo operations are always formalized as “without free tradeability”.

The changes in the balance of repo transactions reflect the increase of liquidity collected by the BCB, mainly due to the payment, by the BCB, of interest on its open market operations (Note 23) and adjustments in foreign exchange swap (Notes 8.2.1 and 29.1), and the insertion of funds in the banking system as a result of the payment of obligations by the Federal Government. This increase of liquidity was mitigated by the net issuance of securities by the National Treasury in the period. In addition, the BCB activity in the interbank foreign exchange market led to an increase in these operations.

## 8 - DERIVATIVES

### 8.1. In foreign currencies

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

Considering these objectives, the Committee on Investment Strategy authorized the contracting of derivatives in currencies different from those used as a hedge of the sovereign external debt, adopting a model that exploits the interest rate differential in the countries and a model for medium-term trends that is based on technical factors, both of which are widely used in the international financial market.

The BCB uses the following types of derivative instruments in its operations:

- currency forwards: derivative instruments characterized by swapping currencies (purchase and sale) with settlement on a future date at a prefixed rate. These operations are carried out on the over-the-counter market, directly with financial institutions, and follow the risk management standards described in Notes 34 to 38;
- futures contracts of interest rates, securities, indexes and commodities: derivative instruments characterized by the obligation to pay or the right to receive a specified amount related to the variation in the interest rates, in the prices of the reference securities, in the indexes or in the prices of commodities on a future date, in accordance with the number and size of the outstanding contracts, at a determined price established in the market. These operations are carried out in a stock exchange, with standardized contracts and collaterals in cash, and the changes in the prices of the contracts are adjusted daily.

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 Dec 31, 2015**

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

**At Dec 31, 2014**

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
<b>Forward</b>				
1 - 6 months			263	662
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
<b>Index futures</b>				
1 - 5 years			-	-
Euro	1,010,831	-	-	-
Yen	2,326,957	-	-	-
U.S. Dollar	477,505	457,840	-	-
<b>Securities futures</b>				
1 - 5 years			-	-
U.S. Dollar	-	84,600,874	-	-
> 5 years			-	-
U.S. Dollar	25,104,099	24,572	-	-
<b>Total</b>			<b>263</b>	<b>662</b>

Considering the characteristics of a currency swap, no collateral is constituted in forward operations. In futures operations, the collateral is established by deposits that totaled R\$433,705 at December 31, 2015 (R\$283,893 at December 31, 2014).

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 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 (Note 7.2). 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 could 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 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 Dec 31, 2015

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

#### 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 years	33,428,277	-	33,428,277	295,941	-
<b>Total</b>	<b>316,852,786</b>	<b>-</b>	<b>316,852,786</b>	<b>5,595,746</b>	<b>-</b>

In 2015, the result of the foreign exchange swaps was R\$102,628,331 negative (R\$10,680,573 negative in 2014 - Note 29.1).

## 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 (Note 36.3).

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 29.1 and 40.a).

In 2015, the result of the foreign exchange equalization operation was R\$157,344,722 negative (R\$13,949,864 negative in 2014), as presented in Note 39.1.

## 9 - SECURITIES

### 9.1. In foreign currencies

	Dec 31, 2015	Dec 31, 2014
<b>Unrestricted securities</b>	<b>1,239,810,314</b>	<b>875,684,514</b>
1 month	4,161,582	3,249,507
1 - 6 months	81,669,009	75,001,306
6 - 12 months	98,469,775	57,281,478
1 - 5 years	990,399,446	664,535,181
> 5 years	65,110,502	75,617,042
<b>Total</b>	<b>1,239,810,314</b>	<b>875,684,514</b>

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 (Notes 34 to 38). 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:

	Dec 31, 2015	Dec 31, 2014
Amortized cost	1,239,443,717	870,081,409
Fair value adjustment	366,597	5,603,105
<b>Carrying amount</b>	<b>1,239,810,314</b>	<b>875,684,514</b>

The difference 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 (Note 36.2), and the accrual of interest in the period, which was partially offset by the disposal of securities arising from the diversification of the investment portfolio of international reserves (Notes 4, 5.1, and 7.1) and the negative fair value adjustment of the portfolio.

## 9.2. In local currency

### At Dec 31, 2015

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

### At Dec 31, 2014

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Unrestricted securities</b>	<b>54,000,736</b>	<b>3,035,945</b>	<b>4,854,548</b>	<b>69,938,658</b>	<b>114,813,006</b>	<b>246,642,893</b>
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
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>37,043,953</b>	<b>80,679,187</b>	<b>387,781,484</b>	<b>313,306,051</b>	<b>818,810,675</b>
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
<b>Securities granted as collateral</b>	<b>-</b>	<b>18,945,086</b>	<b>-</b>	<b>17,990,589</b>	<b>10,844,836</b>	<b>47,780,511</b>
Financial Treasury Bills (LFT)	-	18,945,086	-	17,990,589	10,844,836	47,780,511
<b>Untradeable securities</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>106</b>	<b>182</b>	<b>292</b>
National Treasury Notes - Series P (NTN-P)	-	4	-	106	182	292
<b>Total</b>	<b>54,000,736</b>	<b>59,024,988</b>	<b>85,533,735</b>	<b>475,710,837</b>	<b>438,964,075</b>	<b>1,113,234,371</b>

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 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:

- 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 39.1, was due to the accrual of interest (Note 23) 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 22.1), partially offset by the net redemption of securities in the period.

## 10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Dec 31, 2015	Dec 31, 2014
Other	64,837	1,574
<b>Total</b>	<b>64,837</b>	<b>1,574</b>

Payables to the Federal Government	Dec 31, 2015	Dec 31, 2014
National Treasury Operating Account	881,932,081	605,920,552
Foreign exchange equalization result	110,938,091	65,173,472
Result to be transferred to the National Treasury	41,524,507	25,658,860
Other	2,206,914	1,143,178
<b>Total</b>	<b>1,036,601,593</b>	<b>697,896,062</b>

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are described in more details in Note 39.1.

The increase of payables to the Federal Government is mainly due to the behavior of the balance of the National Treasury Operating Account and to the result of 2015, including the foreign exchange equalization, to be transferred to the National Treasury, in an amount above that obtained in 2014 (Note 39.1).

## 11 - RECEIVABLES

### 11.1. In foreign currencies

	Dec 31, 2015	Dec 31, 2014
New Arrangements to Borrow	4,575,584	4,021,504
CCR	301,463	283,314
Other	2,937	6,069
<b>Total</b>	<b>4,879,984</b>	<b>4,310,887</b>

The balance of receivables in foreign currencies as of December 31, 2015 refers mainly to the BCB's participation in New Arrangements to Borrow (NAB).

NAB is substantiated in article VII of the Articles of Agreement of the IMF, which authorizes the organization, in the event of a scarcity of a certain currency, to propose to the member countries to make loans to the Fund, in a complementary way to their quotas (Note 13), under terms and conditions agreed upon between the parties, for the purpose of reinforcing the organization's financial capacity.

The receivables from NAB are denominated in SDR and remunerated at rates determined weekly, based on the weighted average of the interest rates representative of short-term debts in the monetary market of the countries whose currencies constitute the SDR (Note 3.3). The maturity of these operations is five years, with the possibility of settlement before this term in the event of the borrower of funds making early payment to the IMF. The funds made available in NAB do not have secured guarantees.

The balance variation was basically due to the settlement of NAB credits, partially offset by the depreciation of the Real against the SDR in the period (Note 3.3).

## 11.2. In local currency

### At Dec 31, 2015

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

### At Dec 31, 2014

	Amortized cost	Fair value adjustment	Carrying amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>39,458,705</b>	<b>(14,933,550)</b>	<b>24,525,155</b>
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
<b>Loans and Receivables</b>	<b>951,327</b>	<b>-</b>	<b>951,327</b>
Transfer of resources related to rural credit	257,730	-	257,730
Centrus	553,987	-	553,987
Other	139,610	-	139,610
<b>Total</b>	<b>40,410,032</b>	<b>(14,933,550)</b>	<b>25,476,482</b>

#### 11.2.1 At Fair Value through Profit or Loss – Designation

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

Based on Law 12,249, of June 11, 2010, the BCB's credits with the institutions under liquidation became payable in cash or in installments, at the request of the debtor, with discounts from 25% to 45% on the charges. The balance at December 31, 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% 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 (Note 31).

### 11.2.2 Loans and Receivables

#### a) Transfer of resources related to rural credit

These are mainly represented by transfers to financial institutions of resources originating from the compulsory reserve requirements for deficiencies in applications in rural credit (Note 17). These transfers are made at the request of the financial institutions; they are limited to the amount of their own compulsory reserve requirements and must be applied in rural credit operations.

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

The variation in the balance of transfers related to rural credit was due to the increase in the deficiencies in applications in rural credit in the period, with a consequent increase in this type of loan.

#### b) Centrus

This balance comprises the receivables from the Fundação Banco Central de Previdência Privada (Centrus) arising from:

- changes introduced in 2009 in the regulation of the Foundation's benefit plan, which consisted of an increase in the basic quota of death benefits, generating a credit for the sponsor in proportion to the benefit granted;
- the distribution of the surplus of the Foundation's benefit plan, with reversal of amounts to the sponsor, the sponsored participants and the self-sponsored participants, as approved by Ordinance 504, of September 23, 2013, of the National Superintendence of Supplementary Social Security (Previc).

Pursuant to the agreement entered into between the BCB and Centrus, the funds arising from changes in the regulations of the benefit plan are being transferred upon the request of the sponsor and are remunerated at a rate equivalent to the yield obtained by the Foundation on investments in federal government securities, including short-term funds collateralized by these securities.

The funds referring to the distribution of the surplus are being received in installments and are restated considering the actuarial target index (IPCA, plus interest of 4% p.a.).

The variation resulted from the receipt of monthly installments regarding the distribution of the surplus of the plan, as approved by Ordinance 504, of 2013, partially offset by the accrual of interest in the period (Note 39.2).

## 12 - GOLD

	Dec 31, 2015	Dec 31, 2014
Cost	8,503,673	5,784,327
Fair value adjustment	432,068	1,082,870
<b>Carrying amount</b>	<b>8,935,741</b>	<b>6,867,197</b>

The BCB, like other central banks, maintains part of Brazil's international reserves in gold, which is readily and unconditionally available to the monetary authorities.



The variation 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), partially offset by the negative fair value adjustment of the gold in the period (Note 27).

### 13 - INVESTMENT IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The investments of the BCB in international financial organizations consist of quotas of the IMF (1.78% 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.

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
International Monetary Fund	22,997,118	16,355,287
Bank for International Settlements	134,602	95,727
<b>Total</b>	<b>23,131,720</b>	<b>16,451,014</b>

The variation in the balance in the period was due to the positive fair value adjustment (Note 22.3), considering the depreciation of the Real against the SDR (Note 3.3).

### 14 - PROPERTY AND EQUIPMENT

#### 2015

	<b>Precious metals under several forms</b>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Works of art and museum pieces</b>	<b>Total</b>
<b>At Dec 31, 2014</b>	<b>12,459</b>	<b>256,324</b>	<b>426,806</b>	<b>100,189</b>	<b>30,187</b>	<b>825,965</b>
Cost	12,501	256,324	539,618	260,210	30,187	1,098,840
Accumulated depreciation	-	-	(112,812)	(160,021)	-	(272,833)
Provision for losses	(42)	-	-	-	-	(42)
<b>Changes in 2015</b>	<b>-</b>	<b>-</b>	<b>15,490</b>	<b>5,689</b>	<b>21</b>	<b>21,200</b>
Acquisitions/Construction	-	-	25,598	28,378	21	53,997
Sales/Write-offs	-	-	-	(3,321)	-	(3,321)
Depreciation	-	-	(10,108)	(22,605)	-	(32,713)
Depreciation write-off	-	-	-	3,237	-	3,237
<b>At Dec 31, 2015</b>	<b>12,459</b>	<b>256,324</b>	<b>442,296</b>	<b>105,878</b>	<b>30,208</b>	<b>847,165</b>

#### 2014

	<b>Precious metals under several forms</b>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Works of art and museum pieces</b>	<b>Total</b>
<b>At Dec 31, 2013</b>	<b>12,459</b>	<b>256,324</b>	<b>397,930</b>	<b>90,387</b>	<b>30,172</b>	<b>787,272</b>
Cost	12,501	256,324	500,634	230,045	30,172	1,029,676
Accumulated depreciation	-	-	(102,704)	(139,658)	-	(242,362)
Provision for losses	(42)	-	-	-	-	(42)
<b>Changes in 2014</b>	<b>-</b>	<b>-</b>	<b>28,876</b>	<b>9,802</b>	<b>15</b>	<b>38,693</b>
Acquisitions/Construction	-	-	38,984	35,866	15	74,865
Sales/Write-offs	-	-	-	(5,701)	-	(5,701)
Depreciation	-	-	(10,108)	(25,975)	-	(36,083)
Depreciation write-off	-	-	-	5,612	-	5,612
<b>At Dec 31, 2014</b>	<b>12,459</b>	<b>256,324</b>	<b>426,806</b>	<b>100,189</b>	<b>30,187</b>	<b>825,965</b>

## 15 - OTHER ASSETS

	Dec 31, 2015	Dec 31, 2014
<b>In Foreign Currencies</b>	-	263
<b>In Local Currency</b>	<b>1,164,491</b>	<b>1,364,600</b>
Actuarial Surplus - Centrus (Note 20.2.1)	1,092,333	1,296,278
Other	72,158	68,322
<b>Total</b>	<b>1,164,491</b>	<b>1,364,863</b>

## 16 - 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 in up to three days. At December 31, 2015, the balance of items in the course of collection, in foreign and local currencies, was R\$5,486,551 and R\$14,185 (R\$8,084 and R\$11,616 at December 31, 2014), respectively.

## 17 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	Dec 31, 2015	Dec 31, 2014
<b>In Foreign Currencies</b>	<b>2,776</b>	<b>1,888</b>
<b>In Local Currency</b>	<b>368,414,269</b>	<b>325,872,059</b>
Demand Deposits	29,803,738	42,674,811
Time Deposits	110,006,288	41,187,190
Savings Deposits	131,592,628	122,393,740
Additional Requirements	94,531,901	118,574,108
Deficiencies in applications in rural credit	1,713,142	445,771
Other	766,572	596,439
<b>Total</b>	<b>368,417,045</b>	<b>325,873,947</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 BCB, in federal government securities. The deposits made in cash are recognized as demand liabilities of the BCB.

Currently, the main compulsory reserve requirements have the following percentages and rates of remuneration:

- on demand deposits: 45%, without remuneration;
- on time deposits: 25%, remunerated by the Selic rate;
- on savings deposits: 24.5% (15.5% for rural savings account), remunerated based on the TR + 6.17% p.a. or TR + 70% of Selic Target;
- additional requirements: due on the sum of time deposits (11%) and of savings deposits (5.5%), remunerated by the Selic rate;
- deficiencies in applications in rural credits: due on the total amount of the deficiencies applied, without remuneration, in case of mandatory resources, or remunerated based on the TR, in case of resources from the rural savings account.

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 in the period.

The reserve requirements on demand deposits, together with the Currency in Circulation (Note 21), comprise the economic concept of the monetary base, the variations of which evidence the primary currency issue. In 2015, the reserve requirements on demand deposits presented a reduction of R\$12,871,073 (reduction of R\$2,782,547 in 2014).

## 18 - ACCOUNTS PAYABLE

	Dec 31, 2015	Dec 31, 2014
<b>In Foreign Currencies</b>	<b>15,621,696</b>	<b>11,109,971</b>
SDR allocations	15,621,696	11,109,971
<b>In Local Currency</b>	<b>685,654</b>	<b>940,652</b>
Court-ordered debts payable	434,206	706,095
Other	251,448	234,557
<b>Total</b>	<b>16,307,350</b>	<b>12,050,623</b>

### 18.1. In foreign currencies

SDR allocations are funds made available by the IMF to member countries, proportional to their participation quotas, with no expiration date, on the use of which there is interest (payable quarterly) calculated at the rates for the SDR, published by the IMF itself. The SDRs resulting from these allocations comprise the international reserves (Note 4) and are remunerated at the same rates as the obligation.

The variation in the balance of accounts payable in foreign currencies was basically due to the effects of the depreciation of the Real against the SDR in the period (Note 3.3).

### 18.2. In local currency

Pursuant to § 5 of Article 100 of the Federal Constitution, state-owned companies must include in their budgets the amounts required to cover court-ordered debts presented up to July 1st of each year, for payment by no later than the end of the following year.

With the publication of Constitutional Amendment 30, of September 13, 2000, the court-ordered debts resulting from lawsuits filed before December 31, 1999, will be settled at their actual amount, in legal tender, plus legal interest, in annual, equal and successive payments, over a maximum period of ten years, except, among others, for credits related to alimony and of small amounts.

In compliance with the provisions of Article 30 of Law 13,242, of December 30, 2015 (Budget Guidelines Law – LDO 2016), the appropriations approved in the annual budget law for the payment of debts arising from final and unappealable judicial decisions will be decentralized to the courts requesting the court-ordered debts, which will be responsible for making the payments to the beneficiaries. As a result, the budget and financial resources shall not pass through the BCB (debtor entity). The balance existing at December 31, 2015 refers to the court-ordered debts to be paid in 2016 and the following years.

## 19 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

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

The variation in the balance of deposits received from international financial organizations is mainly resulted from the effects of the depreciation of the Real against the SDR in the period (Note 3.3), the currency in which a significant part of these deposits is denominated (Note 36.2).

## 20 - PROVISIONS

	Dec 31, 2015	Dec 31, 2014
Litigation	4,303,048	4,139,084
Actuarial liability	23,294,138	25,279,526
Other	27,248	3
<b>Total</b>	<b>27,624,434</b>	<b>29,418,613</b>

### 20.1. Provisions for litigation

At December 31, 2015, the BCB was a party to 9,622 lawsuits (3,080 as the plaintiff, 6,530 as the defendant and 12 where the BCB was an interested party) in respect of various issues, including economic plans, labor claims, liquidations of financial institutions and privatizations (at December 31, 2014, the total was 9,771, being 3,160 as the plaintiff, 6,601 as the defendant and 10 in which the BCB was an interested party).

The legal department assesses all these lawsuits, taking into consideration the amount under litigation, the stage of the litigation and the risk of loss. The risk of loss is calculated based on decisions occurring in the process, on the applicable case law and on precedents for similar cases.

Provisions are recorded for 100% of the amount at risk (including an estimate of fees for the loss of the lawsuit) for all the litigation where the risk of loss is classified as probable, i.e. where the risk of loss is assessed as greater than 50%. At December 31, 2015, provisions were recorded for 888 lawsuits (938 at December 31, 2014). The following table presents the changes in the provisions during the year:

	Years ended December 31	
	2015	2014
<b>Opening balance</b>	<b>4,139,084</b>	<b>3,963,437</b>
<b>Changes</b>	<b>163,964</b>	<b>175,647</b>
(+) Formation	329,922	213,975
(-) Reversal	(63,102)	(21,065)
(-) Transfer to court-ordered debts	(101,900)	(16,452)
(-) Write-off due to payment of requisition of small sum	(956)	(811)
<b>Closing balance</b>	<b>4,303,048</b>	<b>4,139,084</b>

The amounts of the lawsuits are adjusted by the Selic rate, as determined in Resolution 134, of December 21, 2010, of the Federal Justice Council. Labor lawsuits are exceptions, since these are restated using the TR plus legal interest, in accordance with Laws 8,177, of 1991, and 10,192, of February 14, 2001.

The lawsuits in which the risk of loss was considered as less than probable and more than remote were classified as contingent liabilities and, accordingly, no provisions were recorded. At December 31, 2015, there were 917 lawsuits (897 at December 31, 2014) in this situation, totaling R\$40,372,004 (R\$68,668,247 at December 31, 2014).

The following table presents the amount of the provisions distributed according to the period of time expected for the conclusion of the lawsuits:

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
<b>2015</b>	-	2,766,675
<b>2016</b>	1,248,196	499,408
<b>2017</b>	1,865,891	416,607
<b>2018</b>	164,575	171,492
<b>2019</b>	6,190	1,673
<b>2020</b>	785,933	110,636
<b>2021</b>	12,647	15,701
<b>2022</b>	1,969	1,592
<b>2023</b>	3,678	572
<b>2024</b>	2,770	2,532
<b>2025</b>	209,368	152,185
<b>2026</b>	1,831	11
<b>Total</b>	<b>4,303,048</b>	<b>4,139,084</b>

The distribution of the balance of the provision in accordance with the nature of the lawsuits is shown in the table below:

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Special systems	1,580,692	1,512,349
Labor lawsuits	1,475,474	1,436,465
Economic plans	568,540	559,360
Contractual relationships	420,871	395,529
Other	257,471	235,381
<b>Total</b>	<b>4,303,048</b>	<b>4,139,084</b>

The BCB, in conformity with legal procedures, made deposits for some lawsuits in progress (Note 5.2). These deposits may be used in any one of the following situations:

- a favorable decision for the BCB in a lawsuit, in which case the judge authorizes the BCB to redeem the deposit;
- an unfavorable decision for the BCB and determination by the judiciary for the amount to be transferred to the successful party;
- an unfavorable decision for the BCB and issuance of a court-ordered debt, in which case the judge authorizes the BCB to redeem the corresponding deposit.

## **20.2. Provisions for actuarial liabilities**

The BCB sponsors post-employment benefit plans for its employees, which include retirement, pension and health care benefits, in the form of defined benefit and defined contribution (Note 3.7.2). A summary of the existing plans and the main assumptions for the actuarial calculations are presented below, when applicable:

### **20.2.1 Defined benefit plans**

#### **a) Retirement benefits for employees retired before 1990 – Centrus**

The Centrus plan is a defined benefit plan, the purpose of which is to supplement the retirement and pension benefits paid by the government Social Security System to employees that retired up to 1990. The plan is funded by contributions from the sponsor and the retired employees, made to Centrus, which is responsible for administering the funds and payments. In 2008, due to the actuarial surplus presented by the plan, the rates for the contributions were reduced to 0% for the sponsor and for the

participants. This plan is in the process of being extinguished since entry of new participants is no longer possible.

#### **b) Retirement benefits for employees retired after 1990 – RJU**

The RJU plan is a defined benefit plan, the purpose of which is to provide the payment of retirement and pension benefits in accordance with the determinations of the Federal Constitution and Law 8,112, of December 11, 1990 and Law 12,618, of April 30 2012.

In accordance with this plan, the post-employment benefits are paid in full, except for those benefits referring to the employees who were hired after February 4, 2013, whose retirement benefits and pensions are limited to the maximum threshold established by the Social Security General Regime (RGPS), based on the Federal Constitution and on Law 12,618, of 2012.

In order for the employees to be entitled to this benefit, the BCB and the employees, themselves, contribute directly to the Federal Government; however, there is no relationship between this payment and receipt of the benefits. Accordingly, considering the legislation in force, this plan is maintained with resources of the BCB.

#### **c) Health care benefits – Faspe**

The Faspe plan is a defined benefit plan, the purpose of which is to maintain a program aiming at funding the prevention of disease and the maintenance and recovery of the health of the BCB's employees and their dependents.

The plan is maintained by contributions from the sponsor and the employees, and there is also a participation by the employees in the expenses incurred, in accordance with the regulations.

The contributions are made to Personnel Assistance Fund (Faspe), which is responsible for the management of the funds and for the payment of the benefits.

#### **d) Actuarial calculations**

Calculation of the provision	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations	2,210,946	19,357,814	3,972,546	2,153,041	21,695,321	3,651,581
(-) Fair value of plan assets	(5,013,069)	-	(36,222)	(5,342,798)	-	(67,376)
Net actuarial liabilities (assets)	(2,802,123)	19,357,814	3,936,324	(3,189,757)	21,695,321	3,584,205
Unrecognized assets	1,709,790	-	-	1,893,479	-	-
Actuarial liabilities (assets) recognized in the balance sheet	(1,092,333)	19,357,814	3,936,324	(1,296,278)	21,695,321	3,584,205

The actuarial surplus of the Centrus plan, referring to the excess of assets in relation to the benefits payable, is recognized in the balance sheet to the extent of the expected economic benefits (Note 15). Accordingly, taking into consideration the reversal of the amounts of the actuarial surplus of the Centrus plan, in compliance with Resolution 26, of the Board for Management of Supplementary Pension Funds (CGPC), of September 29, 2008, this calculation considers the proportionality of the contribution between the BCB and the participants, as well as the formation of a contingency reserve by Centrus.

The variation observed between the two periods is mainly due to the revision of indexes ("Actuarial Assumptions" table), especially discount rates.

The following tables present the information used in the actuarial calculations, as well as the changes in the period:

Present value of the liabilities - Reconciliation	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations at the beginning of the year	2,153,041	21,695,321	3,651,581	2,384,265	20,129,908	3,448,509
(+) Current service cost	-	136,614	92,453	-	173,047	99,357
(+) Interest cost on liabilities	247,719	2,305,409	387,910	254,374	2,061,302	352,936
(-) Benefits paid	(334,071)	(1,308,619)	(260,784)	(320,167)	(1,210,503)	(215,617)
(+) Participants contributions	-	-	90,326	-	-	83,789
(+/-) Actuarial losses (gains)	144,257	(3,470,911)	11,060	(165,431)	541,567	(117,393)
(=) Present value of actuarial obligations at the end of the year	2,210,946	19,357,814	3,972,546	2,153,041	21,695,321	3,651,581

Plan assets - Reconciliation	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Fair value of the plan assets at the beginning of the year	5,342,798	-	67,376	5,539,877	-	75,840
(-) Benefits paid	(334,071)	(1,308,619)	(260,784)	(320,167)	(1,210,503)	(215,617)
(+) Participants contributions	-	-	90,326	-	-	83,789
(+) Sponsor contributions	-	-	137,438	-	-	122,239
(+) Interest cost on investments	578,496	-	8,342	561,409	-	8,896
(+) Transfer from the National Treasury	-	1,308,619	-	-	1,210,503	-
(+/-) Return on assets not included in the net interest	(574,154)	-	(6,476)	(438,321)	-	(7,771)
Fair value of the plan assets at the end of the year	5,013,069	-	36,222	5,342,798	-	67,376

Plan assets - Percentage distribution	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Quoted in an active market</b>	<b>92.8%</b>	<b>-</b>	<b>67.6%</b>	<b>95.0%</b>	<b>-</b>	<b>81.3%</b>
Federal Government Securities	83.9%	-	67.6%	71.1%	-	81.3%
Investment in Equity Instruments	7.3%	-	-	17.8%	-	-
Investment in Fixed Income Funds	1.6%	-	-	6.1%	-	-
<b>Not quoted in an active market</b>	<b>7.2%</b>	<b>-</b>	<b>32.4%</b>	<b>5.0%</b>	<b>-</b>	<b>18.7%</b>
Real Estate Investments	1.6%	-	-	1.9%	-	-
Other	5.6%	-	32.4%	3.1%	-	18.7%
<b>Total</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>

Income and expenses recognized in the Income Statement for the year	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Other expenses</b>						
Current service cost	-	136,614	92,453	-	173,047	99,357
<b>Interest expenses (income)</b>						
Interest cost	(330,777)	2,305,409	379,568	(307,035)	2,061,302	344,040

Remeasurements of defined benefit plans recognized in Equity	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Opening balance</b>	<b>(3,999,749)</b>	<b>(7,997,980)</b>	<b>(2,040,901)</b>	<b>(3,737,984)</b>	<b>(7,456,413)</b>	<b>(2,150,523)</b>
Actuarial gains (losses)	(144,257)	3,470,911	(11,060)	165,431	(541,567)	117,393
Adjustments arising from the return on assets not included in the net interest	(574,154)	-	(6,476)	(438,321)	-	(7,771)
Changes in the effect of the asset ceiling	183,689	-	-	11,125	-	-
<b>Closing balance</b>	<b>(4,534,471)</b>	<b>(4,527,069)</b>	<b>(2,058,437)</b>	<b>(3,999,749)</b>	<b>(7,997,980)</b>	<b>(2,040,901)</b>

Actuarial assumptions	Dec 31, 2015			Dec 31, 2014		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Financial</b>						
Discount rate (*)	12.04%	12.08%	12.07%	10.37%	10.49%	10.53%
Inflation rate (*)	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Rate of contribution of retired employees	-	-	1 a 3%	-	-	1 a 3%
Rate of contribution of the sponsor	-	-	até 3%	-	-	até 3%
Expected growth rate for salaries	-	2.05%	-	-	1.41%	-
Trend rate for medical costs	-	-	12.84%	-	-	10.80%
<b>Non-financial</b>						
Number of active employees	-	4,236	3,716	-	4,078	4,023
Number of retired employees	648	5,131	5,768	694	4,993	4,680
Number of pensioners	696	617	1,224	681	578	1,108
Average past service (in years)	-	18.4	-	-	15.2	-
Average expected future service (in years)	-	14.4	-	-	16.2	-
Average age of active employees	-	44	44	-	46	48
Average age of retired employees	82	65	62	82	65	67
Average age of pensioners	85	54	54	78	53	66
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
	reduced by 10%	reduced by 10%	reduced by 10%	reduced by 10%	reduced by 10%	reduced by 10%
Disabled mortality table	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC
Entry into disability table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

(\*) The financial assumptions consider the market expectations for the periods when the obligations will be settled.

### e) Sensitivity analysis for significant actuarial assumptions

The sensitivity analysis was carried out by submitting the most significant actuarial assumptions to certain variations, reflecting their effects on the liability amounts. As regards the Centrus and RJU plans, the actuarial assumptions analyzed were the interest rates and the salary growth. With regard to Faspe, the evolution of medical costs was also analyzed.

The long-term interest rate, used as a basis for the establishment of the discount rate of the plans, was calculated considering the market of the federal government securities for terms similar to those of the flow of obligations of each plan, in the so-called duration concept. A change of (+/-) 2% in the interest rate would have the following impact on the amount of the actuarial liabilities:

	+2%	-2%
Centrus	(242,961)	303,761
RJU	(3,385,391)	4,897,217
Faspe	(826,624)	1,276,951

To determine the salary growth rate, the BCB considered the variation of the salary mass of its active employees between 2014 and 2015. Accordingly, the salary growth rate is not applicable to the Centrus plan, since the entry of new participants is no longer possible and there are no active participants linked to the BCB. Regarding RJU, an increase of 1% in the rate would increase the amount of the actuarial liability by R\$233,725, whereas a decrease in the same percentage would reduce the liability by R\$210,441.

The rate of growth of the medical costs of Faspe was calculated considering past growth in the last five years. A change of (+/-) 1% in the medical costs would have the following impact on Faspe:

	+1%	-1%
Cost of services and interest	92,940	(74,536)
Liability	554,673	(455,902)

### f) Other information

- The BCB estimates that the payment of its contributions to Faspe in 2016 will be R\$93,136;
- Estimate present value of payment of benefits for the next 10 years:



	<b>Centrus</b>	<b>RJU</b>	<b>Faspe</b>	<b>Consolidated</b>
2016	332,212	1,230,166	125,504	1,687,882
2017	319,713	1,231,410	132,959	1,684,082
2018	306,359	1,232,435	140,425	1,679,219
2019	291,999	1,233,162	149,207	1,674,368
2020	277,211	1,233,497	157,370	1,668,078
2021 - 2025	1,149,216	6,149,675	931,157	8,230,048

- Weighted average duration of actuarial liabilities:

	<b>Centrus</b>	<b>RJU</b>	<b>Faspe</b>
Weighted average duration of actuarial liabilities (in years)	6.3	13.2	18.1

- Past information:

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Centrus</b>					
Present value of the liabilities	2,210,946	2,153,041	2,384,265	3,221,072	2,536,665
Fair value of the assets	5,013,069	5,342,798	5,539,877	5,430,476	5,493,976
Deficit (surplus) of the plan	(2,802,123)	(3,189,757)	(3,155,612)	(2,209,404)	(2,957,311)
Adjusted experience resulting from the plan's liabilities	426,130	(57,028)	(352,644)	122,856	253,446
Adjusted experience resulting from the plan's assets	574,154	438,321	7,238	338,874	2,140,486
<b>RJU</b>					
Present value of the liabilities	19,357,814	21,695,321	20,129,908	21,922,281	17,098,943
Deficit (surplus) of the plan	19,357,814	21,695,321	20,129,908	21,922,281	17,098,943
Adjusted experience resulting from the plan's liabilities	(1,006,629)	(2,279,917)	1,989,603	1,619,688	(846,955)
Adjusted experience resulting from the plan's assets	-	-	-	-	(887,291)
<b>Faspe</b>					
Present value of the liabilities	3,972,546	3,651,581	3,448,509	3,271,456	2,350,784
Fair value of the assets	36,222	67,376	75,840	74,003	73,795
Deficit (surplus) of the plan	3,936,324	3,584,205	3,372,669	3,197,453	2,276,989
Adjusted experience resulting from the plan's liabilities	(175,170)	164,356	1,649,635	83,109	1,458,807
Adjusted experience resulting from the plan's assets	6,476	7,771	7,000	7,511	34,884

## 20.2.2 Defined contribution plan

In compliance with Law 12,618, of 2012, the BCB sponsors a defined contribution plan, administered by the Supplementary Pension Foundation of the Federal Civil Servants of the Executive Branch (Funpresp-Exe), a closed supplementary pension fund, related to the Ministry of Planning, Budget and Management (MPOG). This plan is destined to supplement the payment of retirement and pension of statutory employees. The employee who adopts the Funpresp-Exe benefit plan is classified as:

- regular active participant, if the employee is subject to the maximum threshold established by the RGPS and his or her contribution basis is higher than this threshold; and
- alternative active participant, if the employee is not subject to the maximum threshold established by the RGPS or his or her contribution basis is equal to or lower than this threshold.

The BCB pays a basic contribution only in favor of the regular active participant, which corresponds to 100% of the participant's basic contribution, up to the maximum amount of 8.5% of the

participation salary of the corresponding participant. In 2015, the BCB made contributions amounting to R\$2,579 (R\$747 in 2014) to the Funpresp-Exe.

## 21 - 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.

The distribution of notes and coins in circulation, per denomination, is presented below:

	Dec 31, 2015		Dec 31, 2014	
	Quantity	Amount	Quantity	Amount
<b>Notes</b>	<b>6,243,040,511</b>	<b>219,525,999</b>	<b>6,292,886,101</b>	<b>215,163,302</b>
R\$1.00	149,057,098	149,057	149,012,190	149,012
R\$2.00	1,122,703,867	2,245,408	1,104,642,766	2,209,286
R\$5.00	536,666,089	2,683,331	588,548,651	2,942,743
R\$10.00	683,677,919	6,836,779	718,913,075	7,189,131
R\$20.00	741,277,557	14,825,551	790,974,608	15,819,492
R\$50.00	2,163,598,487	108,179,924	2,144,516,872	107,225,844
R\$100.00	846,059,494	84,605,949	796,277,939	79,627,794
<b>Coins</b>	<b>23,829,204,995</b>	<b>5,956,714</b>	<b>23,144,049,846</b>	<b>5,688,746</b>
R\$0.01	3,191,039,179	31,910	3,190,971,780	31,910
R\$0.05	5,886,768,568	294,339	5,726,518,374	286,326
R\$0.10	6,369,078,224	636,908	6,195,912,044	619,591
R\$0.25	2,784,993,554	696,248	2,698,715,180	674,679
R\$0.50	2,600,033,578	1,300,017	2,511,384,382	1,255,692
R\$1.00	2,997,291,892	2,997,292	2,820,548,086	2,820,548
<b>Commemorative</b>	<b>-</b>	<b>2,471</b>	<b>-</b>	<b>1,658</b>
<b>Total</b>		<b>225,485,184</b>		<b>220,853,706</b>

At December 31, 2015, the Currency in Circulation presented an increase of 2.1% when compared to December 31, 2014, which can be associated mainly with the course of the economic activities, together with the deacceleration in the credit operations of the financial system, decrease in total salaries, and increase in the price levels in the economy.

The Currency in Circulation, together with the reserve requirements on demand deposits, (Note 17), comprises the economic concept of the monetary base, the variation in which evidences the primary issue of currency. The variations in the Currency in Circulation are presented in the table below:

	Years ended December 31	
	2015	2014
<b>Opening balance</b>	<b>220,853,706</b>	<b>204,052,420</b>
<b>Changes</b>	<b>4,631,478</b>	<b>16,801,286</b>
(+) Issuance	286,387,143	273,397,482
(-) Payment	(281,755,665)	(256,596,196)
<b>Closing balance</b>	<b>225,485,184</b>	<b>220,853,706</b>

As regards the administrative expenses of currency in circulation, the amounts in 2014 and 2015, recorded in Other Expenses (Note 28), are as follows:

	Years ended December 31	
	2015	2014
Acquisition of notes and coins	518,286	349,718
Storage and safekeeping of notes and coins	88,854	79,437
Distribution of notes and coins	34,941	42,110
Selection of notes and coins	13,789	12,025
Destruction of notes and coins	1,526	1,287
Disclosure and researches of matters related to Currency in Circulation	-	182
Royalties from the sale of commemorative coins	11,625	1,579
Other	15	22
<b>Total expenses with Currency in Circulation</b>	<b>669,036</b>	<b>486,360</b>

## 22 - EQUITY

### 22.1. Capital

Capital is comprised of the following items:

- initial equity, in the amount of R\$14,526, which represents the capital originally transferred to the BCB at the time of its constitution, adjusted by the monetary restatement up to December 31, 1995;
- results of the BCB until 1987 and incorporated into its equity, adjusted by the monetary restatement up to December 31, 1995, totaling R\$2,561,830; and
- capital increases resulting from the incorporation of securities issued by the Federal Government for the purpose of recomposition of the portfolio, in the amount of R\$97,099,095.

The variation in the period arose 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, amounting to R\$75,000,000 (Notes 9.2 and 39.1).

### 22.2. Reserves

Reserves are comprised of:

- Revenue Reserve: may be appropriated up to the limit of 25% of the BCB's profit, excluding the income from foreign exchange equalization. No revenue reserve was accounted for during 2014 and 2015;
- Revaluation Reserve: results from the revaluation of the BCB's properties for own use, which occurred until 2004. On the initial adoption of the IFRS, the BCB opted to record its property and equipment on the cost method (Note 3.6), attributing the amount of the last revaluation as the new cost (deemed cost). This amount is realized in accordance with the useful lives of these assets (R\$6,111 in 2015 and R\$6,627 in 2014).

### 22.3. Gains (Losses) Recognized Directly in Equity

These refer to the fair value adjustments of financial assets classified as Available-for-sale and the remeasurements of defined benefit plans arising from the provision for payment of post-employment benefits.

	Dec 31, 2015	Dec 31, 2014
<b>Federal government securities</b>		
Opening balance	1,671,111	1,886,237
Reclassification of fair value adjustment to the income statement	178,288	(215,126)
Closing balance	1,849,399	1,671,111
<b>Investment in International Financial Organizations</b>		
Opening balance	(656,794)	(1,685,878)
Fair value adjustment	6,680,705	1,029,084
Closing balance	6,023,911	(656,794)
<b>Remeasurements of defined benefit plans</b>		
Opening balance	(14,038,630)	(13,344,920)
Actuarial gain (loss)	3,682,972	(258,743)
Adjustments arising from the return on assets not included in the net interest	(580,630)	(446,092)
Changes in the effect of the asset ceiling	(183,689)	11,125
Closing balance	(11,119,977)	(14,038,630)
<b>Total</b>	<b>(3,246,667)</b>	<b>(13,024,313)</b>

The variation in the balance of gains (losses) recognized directly in equity arose, mainly, from the positive fair value adjustment of investment in international financial organizations (Note 13) and the actuarial gain recognized in the year (Note 20.2.1).

## 23 - 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.

	Years ended December 31	
	2015	2014
<b>Interest Income</b>	<b>146,214,472</b>	<b>111,890,776</b>
<b>In Foreign Currencies</b>	<b>152,140</b>	<b>80,396</b>
Cash and Cash Equivalents (Note 4)	37,519	25,962
Time Deposits Placed with Financial Institutions (Note 5)	83,941	37,781
Reverse Repo (Note 7)	19,578	5,414
Other	11,102	11,239
<b>In Local Currency</b>	<b>146,062,332</b>	<b>111,810,380</b>
Securities (Note 9)	145,457,366	108,818,147
Federal Government (Note 10)	-	2,382,257
Other	604,966	609,976
<b>Interest Expenses</b>	<b>(242,675,875)</b>	<b>(168,409,767)</b>
<b>In Foreign Currencies</b>	<b>(2,538,206)</b>	<b>(1,349,972)</b>
Repo (Note 7)	(2,529,973)	(1,340,350)
Loans	(6,789)	(8,232)
Other	(1,444)	(1,390)
<b>In Local Currency</b>	<b>(240,137,669)</b>	<b>(167,059,795)</b>
Deposits Received from Financial Institutions (Note 17)	(30,873,631)	(28,183,905)
Repo (Note 7)	(115,379,395)	(80,409,638)
Federal Government (Note 10)	(91,159,241)	(56,017,816)
Other	(2,725,402)	(2,448,436)
<b>Net Interest Result</b>	<b>(96,461,403)</b>	<b>(56,518,991)</b>

The change in the net interest result mainly arose 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.

#### 24 - GAINS (LOSSES) ON FINANCIAL INSTRUMENTS CLASSIFIED AS AT FAIR VALOR 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.

	Years ended December 31	
	2015	2014
<b>In Foreign Currencies</b>	<b>404,943,304</b>	<b>105,047,242</b>
Securities (Note 9)	398,721,532	103,233,556
Funds Under External Management (Note 6)	6,707,492	1,877,138
Other	(485,720)	(63,452)
<b>In Local Currency</b>	<b>(259,973,042)</b>	<b>(24,630,446)</b>
Derivatives (Note 8)	(259,973,053)	(24,630,437)
Other	11	(9)
<b>Total</b>	<b>144,970,262</b>	<b>80,416,796</b>

The variation mainly resulted from the effects of the depreciation of the Real against the main foreign currencies during the year (Note 3.3), which caused the accrual of foreign exchange variation gains

from assets in foreign currencies, especially securities, and the accrual of losses from derivatives in local currency, due to the 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 39.1).

## 25 - 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 adjustments of the receivables from institutions under extrajudicial liquidation (Note 11.2.1), in the amount of R\$1,050,024 (R\$3,479,508 in 2014).

## 26 - 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.

	Years ended December 31	
	2015	2014
Cash and Cash Equivalents	15,505,144	396,494
Time Deposits Placed with Financial Institutions	17,790,770	4,061,819
Repurchase agreements	1,615,906	1,076,821
Receivables	1,458,811	317,223
Items in the Course of Collection	(876,786)	(1,861,557)
Accounts Payable	(4,511,600)	(695,034)
Deposits Received from International Financial Organizations	(5,947,556)	(896,230)
Other	(14,578)	18,528
<b>Total gains (losses) from foreign currencies</b>	<b>25,020,111</b>	<b>2,418,064</b>

The result presented arises from the depreciation of the Real against the main foreign currencies (Note 3.3). The variation, in turn, is due to the fact that in 2015 this foreign exchange depreciation exceeded that of the prior year.

## 27 - 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\$2,068,545 (R\$795,169 in 2014).

The variation of 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), which exceeded that of the prior year. This effect was partially offset by the negative fair value adjustment of the gold in 2015 (Note 12).

## 28 - OTHER INCOME AND EXPENSES

	Years ended December 31	
	2015	2014
<b>Other Income</b>	<b>2,973,761</b>	<b>3,064,853</b>
Fines	100,171	127,378
Transfer from the National Treasury	2,394,141	2,566,472
Court-ordered debts	29,741	812
Reversal of provision for litigation	63,102	21,065
Tariffs	224,570	213,819
Other	162,036	135,307
<b>Other Expenses</b>	<b>(2,915,102)</b>	<b>(2,728,520)</b>
Personnel	(1,524,031)	(1,480,528)
Production and distribution of notes and coins	(669,036)	(486,360)
Provision for litigation	(329,922)	(213,975)
Depreciation	(32,713)	(36,083)
Other	(359,400)	(511,574)

## 29 - INCOME STATEMENT

### 29.1. Net income for the year

The result for the year was positive in R\$76,706,198 (R\$30,926,879 in 2014), as shown in the table below:

	Years ended December 31	
	2015	2014
<b>International Reserve Operations and Swaps</b>	-	-
Profitability of the international reserves	443,663,578	108,165,106
Foreign exchange derivatives - Swaps in local currency	(102,628,331)	(10,680,573)
Foreign exchange equalization of reserves and derivatives (Profitability)	(341,035,247)	(97,484,533)
<b>Other transactions in foreign currencies</b>	<b>(14,017,684)</b>	<b>(1,174,207)</b>
<b>Transactions in local currency</b>	<b>90,665,212</b>	<b>31,764,762</b>
Interest income	146,062,332	111,810,380
Interest expenses	(240,137,669)	(167,059,795)
Foreign exchange equalization (Funding cost)	183,690,525	83,534,669
Institutions under liquidation (Fair value adjustment)	1,050,024	3,479,508
<b>Other transactions in local currency</b>	<b>58,670</b>	<b>336,324</b>
<b>Net income for the year</b>	<b>76,706,198</b>	<b>30,926,879</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.

The result for the first half of the year (R\$35,184,659) was transferred to the National Treasury in September 2015. The result for the second half (R\$41,521,539) will be transferred no later than the 10th working day after the approval of these financial statements by the CMN (Note 1).

## 29.2. 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 22.3.

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

## 30 - FINANCIAL INSTRUMENTS – BY CATEGORY

### 30.1. In foreign currencies

	Dec 31, 2015		Dec 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,462,236,939</b>	<b>1,462,236,939</b>	<b>1,002,040,330</b>	<b>1,002,040,330</b>
Loans and receivables	175,191,073	175,191,073	92,511,681	92,511,681
Available-for-sale	23,131,720	23,131,720	16,451,014	16,451,014
At fair value through profit or loss	1,263,914,146	1,263,914,146	893,077,635	893,077,635
<b>Financial liabilities</b>	<b>46,367,534</b>	<b>46,367,534</b>	<b>26,155,897</b>	<b>26,155,897</b>
Other liabilities	46,362,134	46,362,134	26,155,235	26,155,235
At fair value through profit or loss	5,400	5,400	662	662

### 30.2. In local currency

	Dec 31, 2015		Dec 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,310,711,476</b>	<b>1,245,344,405</b>	<b>1,145,950,335</b>	<b>1,137,282,010</b>
Held-to-maturity	1,279,138,194	1,213,771,123	1,113,234,371	1,104,566,046
Loans and receivables	9,074,804	9,074,804	2,595,063	2,595,063
At fair value through profit or loss	22,498,478	22,498,478	30,120,901	30,120,901
<b>Financial liabilities</b>	<b>2,380,915,213</b>	<b>2,380,915,213</b>	<b>1,861,892,135</b>	<b>1,861,892,135</b>
Other liabilities	2,373,539,778	2,373,539,778	1,861,892,135	1,861,892,135
At fair value through profit or loss	7,375,435	7,375,435	-	-

Except for the operations with securities in local currency classified as Held-to-maturity (Note 9.2), the fair value of the operations measured at amortized cost is not significantly different from the carrying



amount, considering that these relate to cash or short-term operations. Notes 34 to 38 present the risk policy of the BCB for the management of financial assets and liabilities.

### 31 - FAIR VALUE – BY HIERARCHY

The methodologies for 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 the financial 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 Dec 31, 2015				
	Level 1	Level 2	Level 3	Total
<b>Assets in Foreign Currencies</b>	<b>1,262,942,034</b>	<b>24,103,832</b>	<b>-</b>	<b>1,287,045,866</b>
Funds under External Management	-	24,098,779	-	24,098,779
Derivatives	-	5,053	-	5,053
Securities	1,239,810,314	-	-	1,239,810,314
Investment in International Financial Organizations	23,131,720	-	-	23,131,720
<b>Assets in Local Currency</b>	<b>-</b>	<b>-</b>	<b>22,498,478</b>	<b>22,498,478</b>
Receivables - Institutions under Extrajudicial Liquidation	-	-	22,498,478	22,498,478
<b>Liabilities in Foreign Currencies</b>	<b>-</b>	<b>5,400</b>	<b>-</b>	<b>5,400</b>
Derivatives	-	5,400	-	5,400
<b>Liabilities in Local Currency</b>	<b>7,375,435</b>	<b>-</b>	<b>-</b>	<b>7,375,435</b>
Derivatives	7,375,435	-	-	7,375,435
At Dec 31, 2014				
	Level 1	Level 2	Level 3	Total
<b>Assets in Foreign Currencies</b>	<b>892,135,528</b>	<b>17,393,121</b>	<b>-</b>	<b>909,528,649</b>
Funds under External Management	-	17,392,858	-	17,392,858
Derivatives	-	263	-	263
Securities	875,684,514	-	-	875,684,514
Investment in International Financial Organizations	16,451,014	-	-	16,451,014
<b>Assets in Local Currency</b>	<b>5,595,746</b>	<b>-</b>	<b>24,525,155</b>	<b>30,120,901</b>
Derivatives	5,595,746	-	-	5,595,746
Receivables - Institutions under Extrajudicial Liquidation	-	-	24,525,155	24,525,155
<b>Liabilities in Foreign Currencies</b>	<b>-</b>	<b>662</b>	<b>-</b>	<b>662</b>
Derivatives	-	662	-	662

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 3.4.5).

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 11.2.1), 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 BM&FBovespa 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 December 31, 2015:

	Measurement	Unobservable parameters	Interval (weighted average)
Receivables - Institutions under Extrajudicial Liquidation	Present value of cash flows	Risk premium	3.83% - 45.80% (4.15%)

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 25).

There were no transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy during the fiscal year 2015.

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

	Years ended December 31	
	2015	2014
<b>Opening balance</b>	<b>24,525,155</b>	<b>25,962,414</b>
<b>Changes</b>	<b>(2,026,677)</b>	<b>(1,437,259)</b>
Fair value adjustment	1,050,024	3,596,187
Write-off	(3,076,701)	(5,033,446)
<b>Closing balance</b>	<b>22,498,478</b>	<b>24,525,155</b>

## 32 - TRANSFERS OF FINANCIAL ASSETS

The BCB sells securities under repurchase agreements. In these operations, the assets recognized in its balance sheet are transferred, but the risks and benefits associated to them are maintained (Note 3.4.2), including those arising from the change in the value of these assets. In this situation, the securities transferred (Note 9) are not derecognized in the accounting records, and the obligation related to these operations is recognized in liabilities in repo operations (Note 7).

Repo operations in local currency are backed by federal government securities held in custody in the Selic and may be carried out with a clause of “free tradeability”, in which the securities may be subject to final sale, provided they are returned on the settlement date of the repo operation, or “without free tradeability”, where final sale is not permitted during the term of the operation (Note 7.2).

The following table presents the carrying amount and fair value of the securities in local currency transferred but still recognized in the balance sheet and their respective corresponding liabilities. In 2014 and 2015, there were no outstanding balances at the closing of the balance sheet regarding operations of this nature involving securities in foreign currencies.

	Dec 31, 2015	Dec 31, 2014
<b>Transferred assets and associated liabilities</b>		
Carrying amount of the securities linked to the repo	961,694,658	818,810,675
Carrying amount of the repo	913,279,784	809,062,682
<b>Associated liabilities whose right of recourse applies only to the transferred assets</b>		
Fair value of the securities linked to the repo (A)	915,131,222	811,753,934
Fair value of the repo (B)	913,279,784	809,062,682
Net position (A - B)	1,851,438	2,691,252

### 33 - OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The BCB records financial assets and liabilities at net value when there is the legal right and the intention to settle the resulting payments and receipts on a net basis, as in operations carried out in SML and CCR (Note 3.4.3).

However, some financial assets and liabilities that are not offset are subject to agreements, in which each party may have the option to settle all such amounts on a net basis in the event of default or bankruptcy of the other party. The repos and reverse repos involving securities (Note 7) and foreign exchange swaps (Note 8.2.1) are included in this context.

#### 33.1. In foreign currencies

The following table presents the amounts of financial assets in foreign currencies subject to offsetting, corresponding to the operations carried out in SML and CCR (Note 11.1):

At Dec 31, 2015						
	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Receivables	1,589,201	(1,284,801)	304,400	-	-	304,400
<b>Total</b>	<b>1,589,201</b>	<b>(1,284,801)</b>	<b>304,400</b>	<b>-</b>	<b>-</b>	<b>304,400</b>

At Dec 31, 2014						
	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Receivables	1,278,166	(988,783)	289,383	-	-	289,383
<b>Total</b>	<b>1,278,166</b>	<b>(988,783)</b>	<b>289,383</b>	<b>-</b>	<b>-</b>	<b>289,383</b>

The following table presents the amounts of financial liabilities in foreign currencies subject to offsetting, corresponding to the operations carried out in SML and CCR (Note 11.1). In accordance with IFRS 7 – Financial Instruments: Disclosures, the gross amount of financial assets offset was limited to the gross amount of recognized financial liabilities.

At Dec 31, 2015						
	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Accounts Payable	1,284,801	(1,284,801)	-	-	-	-
<b>Total</b>	<b>1,284,801</b>	<b>(1,284,801)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

At Dec 31, 2014

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Accounts Payable	988,783	(988,783)	-	-	-	-
<b>Total</b>	<b>988,783</b>	<b>(988,783)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 33.2. In local currency

There were no outstanding balances in 2014 and 2015 at the balance sheet closing date involving financial assets in local currency which were not offset, but were subject to agreements that allowed the settlement on a net basis.

The following table presents the amounts of financial liabilities in local currency which are not offset, but are subject to agreements that allow the settlement on a net basis, corresponding to the repurchase agreements involving federal government securities (Note 7.2) and foreign exchange swaps (Note 8.2.1). In accordance with IFRS 7, the amount of financial instruments that were not offset was limited to the net value of recognized financial liabilities.

At Dec 31, 2015

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial Assets Sold Under Repurchase Agreements	913,279,784	-	913,279,784	(909,485,916)	-	3,793,868
Derivatives	7,375,435	-	7,375,435	(7,375,435)	-	-
<b>Total</b>	<b>920,655,219</b>	<b>-</b>	<b>920,655,219</b>	<b>(916,861,351)</b>	<b>-</b>	<b>3,793,868</b>

At Dec 31, 2014

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial Assets Sold Under Repurchase Agreements	809,062,682	-	809,062,682	(807,720,861)	-	1,341,821
<b>Total</b>	<b>809,062,682</b>	<b>-</b>	<b>809,062,682</b>	<b>(807,720,861)</b>	<b>-</b>	<b>1,341,821</b>

## 34 - RISK MANAGEMENT

The BCB uses financial instruments as a means of achieving its monetary policy objectives and also for managing international reserves. Obtaining profits is not a primary object, but rather having appropriate instruments for better executing the functions of a monetary authority. Accordingly, its risk management policy (PGR-BCB) differs from that of other financial institutions. Based on the guidelines and recommendations presented in the main risk management reference guides of the organizations, such as COSO, ISO 31000 standards and AS/NZS 4360:2004, the PGR-BCB adopts an integrated structure for risk management (Enterprise Risk Management), aligned with the best international practices. Consequently, the management of risks follows a process for continuous improvement of its activities and better allocation of human, financial and institutional resources.

The BCB holds two main portfolios of financial instruments with different risk policies and characteristics:

### a) Financial instruments intended for the management of international reserves

The main purpose of Brazil's international reserves is to contribute towards reducing the economy's vulnerability to external shocks and the perception of risk by investors.

When investing the international reserves, the BCB seeks to obtain liquidity, security and profitability, in such exact order, using a policy of diversification of financial instruments. Therefore, the Board of Directors established a reference portfolio that reflects its long-term objectives and preferences with respect to the risk-return ratio, liquidity restrictions and the operating limits to be observed in the investment process.

A portion of these international reserves is managed externally under the PGER. This program was restarted in 2012, with the objective of diversifying investments and providing more flexibility to

the reserve management process, as well as promoting transfer of technology and a more effective exchange of knowledge of the international financial markets between the BCB and the external managers of international reserves. In addition to the PGER, with regard to the externally managed assets in foreign currency, the BCB invests in two funds managed by the BIS: the BISIP-ILF1, which corresponds to a portfolio of U.S. government securities linked to inflation (TIPS); and the BISIP CNY, which invests in Chinese government securities.

#### **b) Financial instruments intended for executing the monetary policy**

The monetary policy is executed mainly through operations with federal government securities and foreign exchange swaps. The portfolio of federal government securities issued by the National Treasury is used primarily to execute actions of the monetary and foreign exchange policies, normally through open market operations, whereas swaps have the specific purpose of improving liquidity conditions, providing an exchange hedge for the economic agents and correcting eventual distortions observed in the foreign exchange coupon curve.

In executing the monetary policy, the BCB manages the domestic liquidity in local currency, to align the effective interest rate with the target established by the Monetary Policy Committee (Copom), by increasing the liquidity (decreasing the amount of debt of repo and reverse repo transactions) when the effective Selic rate exceeds the target, and constricting liquidity (increasing the amount of debt of repo and reverse repo transactions) in the opposite scenario.

Notes 35 to 38 present the main risks to which these two portfolios of financial instruments are exposed, as well as the policy for management of these risks.

### **35 - CREDIT RISK**

Credit risk is the possibility of a loss associated to a counterparty default.

#### **a) Financial instruments intended for the management of international reserves**

In order to control the credit risk of the financial instruments used in the international reserves operations, two types of limits were established by the Board of Directors: for a counterparty and for the portfolio as a whole. The selection of eligible counterparties and issuers is based on internal risk rating criteria, in addition to classifications according to Moody's, maximum exposure amounts and term limits. The credit risk, measured through expected default, is a function of the rating of the counterparties, the amount and the term of the investments.

The assessment of the credit risk of international reserves operations managed by the participants of the PGER follows the same aforementioned criteria.

The main credit risk policies are listed below, and it should be emphasized that internal analyses of the credit conditions of the counterparties could generate further restrictions in addition to those listed below:

##### **a.1) Minimum ratings**

The operations which are subject to bank credit risk, such as deposits, repos, reverse repos, swaps, forwards and commercial papers, should be contracted with counterparties belonging to groups with a short-term rating of P-2 and a minimum long-term rating of A.

In operations with securities, the BCB invests in sovereign securities, where the minimum admissible rating for the issuer is Aa, and securities issued by agencies and supranational organizations, whose minimum rating is Aaa, in addition to the securities issued by the BIS. Issuers of sovereign securities that are part of the reference portfolio are authorized for investment, irrespective of their ratings.

##### **a.2) Maximum amounts of exposure**

For operations with bank credit risk, the maximum exposure per group is equivalent to the lower of US\$0.5 billion and 0.5% of the group's assets.

Operations with credit risk in which the counterparties are central banks of countries that issue government securities included in the benchmark portfolio are limited to 5% of the total assets of the respective institutions. Operations in which the counterparty is the BIS do not have exposure limits.

Funds invested in deposits with commercial banks have a volume limited to 1% of the international reserves to accommodate the operations required for daily cash flow management.

With respect to investments in securities, the sovereign securities must represent at least 65% of the portfolio, whereas the securities issued by agencies or supranational organizations may represent a maximum of 10% of the total volume of the international reserves. Furthermore, a limit is established of a 20% participation in each issue of securities belonging to the reference portfolio and of 10% for the securities that are not part of this portfolio.

The counterparties authorized for international reserves operations with bank credit risk managed by the participants of the PGER have exposure limits of US\$50 million.

### **a.3) Maximum terms**

The maximum term for operations with bank credit risk is six months, except for deposits, which are contracted for no longer than one week.

Operations with credit risk in which the counterparties are the BIS or central banks of countries that issue government securities included in the benchmark portfolio shall respect the maximum term of six months for the investment.

International reserves operations with bank credit risk managed by the participants of the PGER have a maximum term of six months.

### **b) Financial instruments intended for executing the monetary policy**

The securities portfolio of the BCB is comprised exclusively of securities issued by the National Treasury (Note 9.2), considered as without credit risk, which are used mainly for the carrying out of repo and reverse repo operations (Note 7.2).

The credit risk monitoring of these operations is realized by counterparty, exposure and term. Because these operations are guaranteed by federal government securities, the actual exposure is calculated as the difference between the amount of securities used as collateral and the cash position.

Swaps (Note 8.2.1) are contracted in the ambit of BM&FBovespa, a clearing house which is the central counterparty of the operations. BM&FBovespa has a policy for the control of the credit risk through collateral requirements from all the members. The amount of these guarantees is calculated using stress tests, which consider the total of the possible loss until the date of the settlement of the contracts. The collaterals may be established in federal government securities, bank guarantees, bank deposit certificates, shares, gold or in cash, amongst others. The majority of the members of the clearing house, including the BCB, constitute the collaterals through the delivery of federal government securities, which are assessed at a defensive price, lower than the market quotation.

### **c) Concentration of financial assets by geographic area**

	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Brazil	1,364,664,768	1,174,274,705
European Economic Community	201,993,853	150,359,453
United States of America	1,083,138,523	728,014,974
Other	123,151,271	95,341,533
<b>Total</b>	<b>2,772,948,415</b>	<b>2,147,990,665</b>

### d) Concentration of financial assets by type of counterparty

**At Dec 31, 2015**

	Financial Institutions	International Organizations	Government Institutions	Other	Total
Cash and Cash Equivalents	9,475,562	14,088,703	34,583,786	-	58,148,051
In foreign currencies	4,008,842	14,088,703	34,583,786	-	52,681,331
In local currency	5,466,720	-	-	-	5,466,720
Deposits	1,360,612	13,867,796	46,296,206	-	61,524,614
In foreign currencies	-	13,867,796	46,296,206	-	60,164,002
In local currency	1,360,612	-	-	-	1,360,612
Funds Under External Management	5,023,750	1,668,242	14,974,267	2,432,520	24,098,779
Financial Assets Purchased Under Resale Agreements	57,465,756	-	-	-	57,465,756
In foreign currencies	57,465,756	-	-	-	57,465,756
Derivatives	5,053	-	-	-	5,053
In foreign currencies	5,053	-	-	-	5,053
Securities	-	13,638,466	2,472,912,999	32,397,043	2,518,948,508
In foreign currencies	-	13,638,466	1,193,774,805	32,397,043	1,239,810,314
In local currency	-	-	1,279,138,194	-	1,279,138,194
Receivables from the Federal Government	-	-	64,837	-	64,837
Receivables	1,662,254	4,575,584	304,400	22,996,962	29,539,200
In foreign currencies	-	4,575,584	304,400	-	4,879,984
In local currency	1,662,254	-	-	22,996,962	24,659,216
Investment in International Financial Organizations	-	23,131,720	-	-	23,131,720
Other	-	-	-	21,897	21,897
In local currency	-	-	-	21,897	21,897
<b>Total Assets</b>	<b>74,992,987</b>	<b>70,970,511</b>	<b>2,569,136,495</b>	<b>57,848,422</b>	<b>2,772,948,415</b>

**At Dec 31, 2014**

	Financial Institutions	International Organizations	Government Institutions	Other	Total
Cash and Cash Equivalents	3,119,466	9,997,255	12,303,360	-	25,420,081
In foreign currencies	3,119,466	9,997,255	12,303,360	-	25,420,081
Deposits	1,624,101	7,974,355	26,137,438	-	35,735,894
In foreign currencies	-	7,974,355	26,137,438	-	34,111,793
In local currency	1,624,101	-	-	-	1,624,101
Funds Under External Management	2,871,699	1,214,040	12,161,403	1,145,716	17,392,858
Financial Assets Purchased Under Resale Agreements	28,668,657	-	-	-	28,668,657
In foreign currencies	28,668,657	-	-	-	28,668,657
Derivatives	263	-	-	5,595,746	5,596,009
In foreign currencies	263	-	-	-	263
In local currency	-	-	-	5,595,746	5,595,746
Securities	-	11,733,735	1,951,288,378	25,896,772	1,988,918,885
In foreign currencies	-	11,733,735	838,054,007	25,896,772	875,684,514
In local currency	-	-	1,113,234,371	-	1,113,234,371
Receivables from the Federal Government	-	-	1,574	-	1,574
Receivables	257,730	4,021,504	289,383	25,218,752	29,787,369
In foreign currencies	-	4,021,504	289,383	-	4,310,887
In local currency	257,730	-	-	25,218,752	25,476,482
Investment in International Financial Organizations	-	16,451,014	-	-	16,451,014
Other	263	-	-	18,061	18,324
In foreign currencies	263	-	-	-	263
In local currency	-	-	-	18,061	18,061
<b>Total Assets</b>	<b>36,542,179</b>	<b>51,391,903</b>	<b>2,002,181,536</b>	<b>57,875,047</b>	<b>2,147,990,665</b>

## 36 - MARKET RISK

Market risk is the risk resulting from fluctuations of market parameters, such as interest and foreign exchange rates.

### a) Financial instruments intended for the management of international reserves

The market risk of the international reserves is monitored using Value at Risk (VaR) models. The VaR of the international reserves and limits authorized by the Board of Directors for active management are observed daily and variations are permitted in relation to the reference portfolio, in order to take

advantage of eventual opportunities in the market. The volatility of the model is calculated using an exponentially weighted moving average, with a confidence level of 95%. Back testings are realized for the validation of the model and quarterly reports are presented to the Board of Directors.

#### **b) Financial instruments intended for executing the monetary policy**

The market risk arising from these instruments is monitored through the managerial VaR of the BCB, which includes all the effective exposures of the international reserves portfolios and of the definitive portfolio of federal government securities. The volatility of the model is calculated using an exponentially weighted moving average, with a confidence level of 95%. Back testings are realized for the validation of the model and annual reports are presented to the Board of Directors.

#### **36.1. Interest rate risk**

This is the risk resulting from changes in the interest rates that affect the fair value of the instruments with a fixed yield and the future financial flow of those instruments with a floating yield. The following table presents the exposure of the BCB to these two types of risk:

	Dec 31, 2015		Dec 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Fixed rate	1,937,152,883	870,328,642	1,482,683,002	744,083,138
Floating rate	789,052,447	1,490,403,963	641,403,861	1,085,862,225
Without interest	46,743,085	66,550,142	23,903,802	58,102,669
<b>Total</b>	<b>2,772,948,415</b>	<b>2,427,282,747</b>	<b>2,147,990,665</b>	<b>1,888,048,032</b>

The next table presents the financial instruments of the BCB grouped according to the date of maturity (fixed rate) or of repricing (floating rate). The valuation methodology for these assets is described in Note 3.4.5.



## At Dec 31, 2015

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Without interest	Total
<b>Assets</b>							
Cash and Cash Equivalents	37,623,504	-	-	-	-	20,524,547	58,148,051
In foreign currencies	37,623,504	-	-	-	-	15,057,827	52,681,331
In local currency	-	-	-	-	-	5,466,720	5,466,720
Deposits	19,119,170	42,405,444	-	-	-	-	61,524,614
In foreign currencies	17,758,558	42,405,444	-	-	-	-	60,164,002
In local currency	1,360,612	-	-	-	-	-	1,360,612
Funds Under External Management	3,498,915	962,600	1,149,899	9,586,528	7,699,256	1,201,581	24,098,779
Financial Assets Purchased Under Resale Agreements	9,440,870	30,923,176	17,101,710	-	-	-	57,465,756
In foreign currencies	9,440,870	30,923,176	17,101,710	-	-	-	57,465,756
Derivatives	-	-	-	-	-	5,053	5,053
In foreign currencies	-	-	-	-	-	5,053	5,053
Securities	826,381,317	95,745,480	173,376,903	1,229,321,615	194,123,193	-	2,518,948,508
In foreign currencies	115,045,175	57,351,614	78,187,118	950,521,064	38,705,343	-	1,239,810,314
In local currency	711,336,142	38,393,866	95,189,785	278,800,551	155,417,850	-	1,279,138,194
Receivables from the Federal Government	-	-	-	-	-	64,837	64,837
Receivables	27,745,750	-	-	-	-	1,793,450	29,539,200
In foreign currencies	4,879,984	-	-	-	-	-	4,879,984
In local currency	22,865,766	-	-	-	-	1,793,450	24,659,216
Investment in International Financial Organizations	-	-	-	-	-	23,131,720	23,131,720
Other	-	-	-	-	-	21,897	21,897
In local currency	-	-	-	-	-	21,897	21,897
<b>Total Assets (A)</b>	<b>923,809,526</b>	<b>170,036,700</b>	<b>191,628,512</b>	<b>1,238,908,143</b>	<b>201,822,449</b>	<b>46,743,085</b>	<b>2,772,948,415</b>
<b>Liabilities</b>							
Items in the Course of Collection	-	-	-	-	-	5,500,736	5,500,736
In foreign currencies	-	-	-	-	-	5,486,551	5,486,551
In local currency	-	-	-	-	-	14,185	14,185
Deposits Received from Financial Institutions	336,324,236	-	-	-	-	32,092,809	368,417,045
In foreign currencies	-	-	-	-	-	2,776	2,776
In local currency	336,324,236	-	-	-	-	32,090,033	368,414,269
Financial Assets Sold Under Repurchase Agreements	780,209,453	162,406,415	20,425,191	8,709,814	-	-	971,750,873
In foreign currencies	3,862,974	139,406	-	-	-	-	4,002,380
In local currency	776,346,479	162,267,009	20,425,191	8,709,814	-	-	967,748,493
Derivatives	-	-	-	-	-	7,380,835	7,380,835
In foreign currencies	-	-	-	-	-	5,400	5,400
In local currency	-	-	-	-	-	7,375,435	7,375,435
Payables to the Federal Government	1,036,601,593	-	-	-	-	-	1,036,601,593
Accounts Payable	434,206	15,621,696	-	-	-	251,448	16,307,350
In foreign currencies	-	15,621,696	-	-	-	-	15,621,696
In local currency	434,206	-	-	-	-	251,448	685,654
Deposits Received from International Financial Organizations	-	-	-	-	-	21,256,642	21,256,642
In foreign currencies	-	-	-	-	-	21,244,185	21,244,185
In local currency	-	-	-	-	-	12,457	12,457
Other	-	-	-	-	-	67,673	67,673
In foreign currencies	-	-	-	-	-	4,546	4,546
In local currency	-	-	-	-	-	63,127	63,127
<b>Total Liabilities (B)</b>	<b>2,153,569,488</b>	<b>178,028,111</b>	<b>20,425,191</b>	<b>8,709,814</b>	<b>-</b>	<b>66,550,143</b>	<b>2,427,282,747</b>
<b>Net position (A - B)</b>	<b>(1,229,759,962)</b>	<b>(7,991,411)</b>	<b>171,203,321</b>	<b>1,230,198,329</b>	<b>201,822,449</b>	<b>(19,807,058)</b>	<b>345,665,668</b>

## At Dec 31, 2014

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Without interest	Total
<b>Assets</b>							
Cash and Cash Equivalents	24,515,052	-	-	-	-	905,029	25,420,081
In foreign currencies	24,515,052	-	-	-	-	905,029	25,420,081
Deposits	9,171,845	26,564,049	-	-	-	-	35,735,894
In foreign currencies	7,547,744	26,564,049	-	-	-	-	34,111,793
In local currency	1,624,101	-	-	-	-	-	1,624,101
Funds Under External Management	1,748,637	1,561,034	667,556	7,806,241	5,063,094	546,296	17,392,858
Financial Assets Purchased Under Resale Agreements	265,590	25,747,167	2,655,900	-	-	-	28,668,657
In foreign currencies	265,590	25,747,167	2,655,900	-	-	-	28,668,657
Derivatives	-	-	-	-	-	5,596,009	5,596,009
In foreign currencies	-	-	-	-	-	263	263
In local currency	-	-	-	-	-	5,595,746	5,595,746
Securities	664,378,684	94,480,548	106,143,028	949,391,611	174,525,014	-	1,988,918,885
In foreign currencies	80,097,180	74,934,913	56,564,425	605,642,548	58,445,448	-	875,684,514
In local currency	584,281,504	19,545,635	49,578,603	343,749,063	116,079,566	-	1,113,234,371
Receivables from the Federal Government	-	-	-	-	-	1,574	1,574
Receivables	29,401,814	-	-	-	-	385,555	29,787,369
In foreign currencies	4,310,887	-	-	-	-	-	4,310,887
In local currency	25,090,927	-	-	-	-	385,555	25,476,482
Investment in International Financial Organizations	-	-	-	-	-	16,451,014	16,451,014
Other	-	-	-	-	-	18,324	18,324
In foreign currencies	-	-	-	-	-	263	263
In local currency	-	-	-	-	-	18,061	18,061
<b>Total Assets (A)</b>	<b>729,481,622</b>	<b>148,352,798</b>	<b>109,466,484</b>	<b>957,197,852</b>	<b>179,588,108</b>	<b>23,903,801</b>	<b>2,147,990,665</b>
<b>Liabilities</b>							
Items in the Course of Collection	-	-	-	-	-	19,700	19,700
In foreign currencies	-	-	-	-	-	8,084	8,084
In local currency	-	-	-	-	-	11,616	11,616
Deposits Received from Financial Institutions	282,333,361	-	-	-	-	43,540,586	325,873,947
In foreign currencies	-	-	-	-	-	1,888	1,888
In local currency	282,333,361	-	-	-	-	43,538,698	325,872,059
Financial Assets Sold Under Repurchase Agreements	743,006,957	92,218,800	2,674,117	-	-	-	837,899,874
In foreign currencies	-	775,655	-	-	-	-	775,655
In local currency	743,006,957	91,443,145	2,674,117	-	-	-	837,124,219
Derivatives	-	-	-	-	-	662	662
In foreign currencies	-	-	-	-	-	662	662
Payables to the Federal Government	697,896,062	-	-	-	-	-	697,896,062
Accounts Payable	706,095	11,109,971	-	-	-	234,557	12,050,623
In foreign currencies	-	11,109,971	-	-	-	-	11,109,971
In local currency	706,095	-	-	-	-	234,557	940,652
Deposits Received from International Financial Organizations	-	-	-	-	-	14,258,978	14,258,978
In foreign currencies	-	-	-	-	-	14,249,810	14,249,810
In local currency	-	-	-	-	-	9,168	9,168
Other	-	-	-	-	-	48,186	48,186
In foreign currencies	-	-	-	-	-	9,827	9,827
In local currency	-	-	-	-	-	38,359	38,359
<b>Total Liabilities (B)</b>	<b>1,723,942,475</b>	<b>103,328,771</b>	<b>2,674,117</b>	<b>-</b>	<b>-</b>	<b>58,102,669</b>	<b>1,888,048,032</b>
<b>Net position (A - B)</b>	<b>(994,460,853)</b>	<b>45,024,027</b>	<b>106,792,367</b>	<b>957,197,852</b>	<b>179,588,108</b>	<b>(34,198,868)</b>	<b>259,942,633</b>

## 36.2. Foreign exchange rate risk

This risk represents the possibility of loss resulting from changes in the foreign exchange rates. The BCB has financial assets and liabilities in foreign currencies or indexed to the foreign exchange variation and this type of risk is inherent to its operations.

At December 31, 2015, the distribution of financial assets and liabilities per currency was as follows:

## At Dec 31, 2015

	U.S. Dollar	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Yen	Swedish Krona	Danish Krone	Other	Total
<b>Assets</b>											
Cash and Cash Equivalents	35,478,528	762,901	405,594	762,673	190,397	14,050,484	1,029,414	43	1	1,296	52,681,331
Time Deposits Placed with Financial Institutions	60,164,002	-	-	-	-	-	-	-	-	-	60,164,002
Funds Under External Management	16,097,533	2,340,158	1,490,125	1,013,520	1,791,741	-	948,132	10,333	-	407,237	24,098,779
Financial Assets Purchased Under Resale Agreements	56,262,394	-	-	106,478	1,040,311	-	-	36,075	20,498	-	57,465,756
Derivatives	5,053	-	-	-	-	-	-	-	-	-	5,053
Securities	1,019,413,647	62,825,782	57,700,446	39,812,745	34,492,589	-	25,565,105	-	-	-	1,239,810,314
Receivables	304,400	-	-	-	-	4,575,584	-	-	-	-	4,879,984
Investment in International Financial Organizations	-	-	-	-	-	23,131,720	-	-	-	-	23,131,720
<b>Total Assets (A)</b>	<b>1,187,725,557</b>	<b>65,928,841</b>	<b>59,596,165</b>	<b>41,695,416</b>	<b>37,515,038</b>	<b>41,757,788</b>	<b>27,542,651</b>	<b>46,451</b>	<b>20,499</b>	<b>408,533</b>	<b>1,462,236,939</b>
<b>Liabilities</b>											
Items in the Course of Collection	5,466,300	-	-	-	20,251	-	-	-	-	-	5,486,551
Deposits Received from Financial Institutions	2,776	-	-	-	-	-	-	-	-	-	2,776
Financial Assets Sold Under Repurchase Agreements	333,444	964,591	292,916	179,393	59,896	-	2,172,140	-	-	-	4,002,380
Derivatives	5,400	-	-	-	-	-	-	-	-	-	5,400
Accounts Payable	-	-	-	-	-	15,621,696	-	-	-	-	15,621,696
Deposits Received from International Financial Organizations	367,675	-	-	-	-	20,875,690	-	-	-	820	21,244,185
Other	4,353	-	-	-	-	-	-	-	-	193	4,546
<b>Total Liabilities (B)</b>	<b>6,179,948</b>	<b>964,591</b>	<b>292,916</b>	<b>179,393</b>	<b>80,147</b>	<b>36,497,386</b>	<b>2,172,140</b>	<b>-</b>	<b>-</b>	<b>1,013</b>	<b>46,367,534</b>
<b>Net Position (A - B)</b>	<b>1,181,545,609</b>	<b>64,964,250</b>	<b>59,303,249</b>	<b>41,516,023</b>	<b>37,434,891</b>	<b>5,260,402</b>	<b>25,370,511</b>	<b>46,451</b>	<b>20,499</b>	<b>407,520</b>	<b>1,415,869,405</b>

At Dec 31, 2014	U.S. Dollar	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Yen	Swedish Krona	Danish Krone	Other	Total
<b>Assets</b>											
Cash and Cash Equivalents	13,340,269	395,867	943,256	209,053	116,043	9,990,509	403,940	16,139	4,248	757	25,420,081
Time Deposits Placed with Financial Institutions	31,877,501	-	-	2,227,543	6,749	-	-	-	-	-	34,111,793
Funds Under External Management	11,077,550	2,409,141	927,809	775,317	1,165,346	-	761,020	-	-	276,675	17,392,858
Financial Assets Purchased Under Resale Agreements	28,502,689	7,098	-	54,644	93,568	-	-	10,658	-	-	28,668,657
Derivatives	98	52	-	-	113	-	-	-	-	-	263
Securities	697,102,520	41,641,075	54,947,524	26,354,958	25,202,454	-	11,623,695	8,856,602	9,955,686	-	875,684,514
Receivables	289,383	-	-	-	-	4,021,504	-	-	-	-	4,310,887
Investment in International Financial Organizations	-	-	-	-	-	16,451,014	-	-	-	-	16,451,014
Other	-	-	-	263	-	-	-	-	-	-	263
<b>Total Assets (A)</b>	<b>782,190,010</b>	<b>44,453,233</b>	<b>56,818,589</b>	<b>29,621,778</b>	<b>26,584,273</b>	<b>30,463,027</b>	<b>12,788,655</b>	<b>8,883,399</b>	<b>9,959,934</b>	<b>277,432</b>	<b>1,002,040,330</b>
<b>Liabilities</b>											
Items in the Course of Collection	1,338	-	-	6,746	-	-	-	-	-	-	8,084
Deposits Received from Financial Institutions	1,888	-	-	-	-	-	-	-	-	-	1,888
Financial Assets Sold Under Repurchase Agreements	166,772	-	248,164	128,333	45,696	-	186,690	-	-	-	775,655
Derivatives	269	393	-	-	-	-	-	-	-	-	662
Accounts Payable	-	-	-	-	-	11,109,971	-	-	-	-	11,109,971
Deposits Received from International Financial Organizations	236,318	-	-	-	-	14,012,672	-	-	-	820	14,249,810
Other	9,694	-	-	-	-	-	-	-	-	133	9,827
<b>Total Liabilities (B)</b>	<b>416,279</b>	<b>393</b>	<b>248,164</b>	<b>135,079</b>	<b>45,696</b>	<b>25,122,643</b>	<b>186,690</b>	<b>-</b>	<b>-</b>	<b>953</b>	<b>26,155,897</b>
<b>Net Position (A - B)</b>	<b>781,773,731</b>	<b>44,452,840</b>	<b>56,570,425</b>	<b>29,486,699</b>	<b>26,538,577</b>	<b>5,340,384</b>	<b>12,601,965</b>	<b>8,883,399</b>	<b>9,959,934</b>	<b>276,479</b>	<b>975,884,433</b>

### 36.3. Foreign exchange equalization

The foreign exchange equalization operation (Note 8.2.2) aims at providing greater transparency to the results of the operations of the monetary authority and at reducing the volatility of the result of the BCB, due to the mismatch between foreign currency assets and liabilities. This volatility adversely affects the analysis of the result of the monetary policy operations, which is the main function of the BCB, by local and international economic agents.

#### 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.

The following table presents the BCB's net position in foreign currency, as at December 31, 2015, adjusted by the position assumed in the foreign exchange equalization:

	Dec 31, 2015	Dec 31, 2014
Net position in foreign currency	1,424,805,146	982,751,630
Foreign exchange equalization	(1,439,100,316)	(993,238,054)
<b>Exposure in foreign currency</b>	<b>(14,295,170)</b>	<b>(10,486,424)</b>

With respect to the interest rate, the result obtained by the BCB in the foreign exchange equalization operations, based on the average balance of the international reserves in the period, was 14.75% positive, since the funding cost covered by the National Treasury was 14.83%, whereas the result from interest (including mark-to-market) of the international reserves transferred to the National Treasury was 0.08% positive.

#### 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.

### 36.4. Sensitivity analysis

The foreign exchange equalization operation (Notes 8.2.2 and 36.3) reduced the volatility of the result of the BCB, arising from price changes inherent to the international reserves. Additionally, the classification of the securities portfolio in local currency as Held-to-maturity (Note 3.4.5) reduced the mark-to-market component of assets, making the daily results of the BCB barely susceptible to market variables, being more influenced by the accrual of interest. Accordingly, the impact of price variations on the result of the BCB was reduced compared to other sources of results, which made the calculation of the VaR of the accounting result inappropriate for measuring risks from changes in market prices. Therefore, as from 2011, the BCB chose to replace the calculation of the VaR with a sensitivity analysis.

The following table presents the main exposures of the BCB to market risk factors as at December 31, 2015:

	Foreign exchange rate	Foreign exchange coupon curve	Foreign currencies interest curve	ID x TR swap curve	Risk premium
Foreign exchange swap	(463,889,850)	(463,889,850)	-	-	-
International reserves	1,439,100,316	-	1,439,100,316	-	-
Accounts payable in foreign currencies	15,621,696	-	-	-	-
Receivables from institutions under liquidation	-	-	-	22,498,478	22,498,478

For the purpose of analyzing the impacts on the financial statements of the BCB resulting from changes in the various risk factors involved, the potential results of adverse changes were simulated for five risk factors: foreign exchange rate of the Real against the foreign currencies that comprise the international reserves; foreign exchange coupon curve; interest curves of the foreign currencies that comprise the international reserves; the ID x TR swap curve; and risk premium levied on the calculation of the fair value of receivables from institutions under extrajudicial liquidation. For the foreign exchange rate, a 20% appreciation of the Real against the other currencies was simulated. For the foreign exchange coupon and ID x TR swap curves, a parallel shift of one percentage point above these curves was simulated. For the interest curves of the currencies that comprise the international reserves, a parallel shift of half a percentage point above these curves was simulated. For the risk premium, a parallel shift of five percentage points above was simulated. The simulations consider only the immediate results of the price changes, based on a conservative analysis, ignoring the effect of the loading over time.

The following table presents the impact on the result of the BCB for each of these simulations:

	20% appreciation of the Real against other currencies	Parallel shift of 1 percentage point of the foreign exchange coupon curve	Parallel shift of 0.5 percentage point of the foreign currencies interest curve	Parallel shift of 1 percentage point of the ID x TR swap curve	Parallel shift of 5 percentage points in the risk premium
Foreign exchange swap	84,424,041	2,250,017	-	-	-
International reserves	(287,820,063)	-	(12,926,923)	-	-
Accounts payable in foreign currencies	3,124,339	-	-	-	-
Receivables from institutions under liquidation	-	-	-	(1,471,217)	(4,501,059)
Foreign exchange equalization	201,780,921	(2,250,017)	12,926,923	-	-
<b>Net impact</b>	<b>1,509,238</b>	<b>-</b>	<b>-</b>	<b>(1,471,217)</b>	<b>(4,501,059)</b>
on the result	6,135,582	-	-	(1,471,217)	(4,501,059)
on equity	(4,626,344)	-	-	-	-

## 37 - LIQUIDITY RISK

Liquidity risk is the risk that arises from a possible difficulty in trading securities in a secondary market, due to the fact that it cannot absorb the volume that is desired to be traded without there being a significant change in price.

### a) Financial instruments intended for the management of international reserves

The purpose of the management of the liquidity risk is to ensure that the BCB fulfills all the financial commitments that it has assumed. Accordingly, there is a policy for diversification of maturities and

also the establishment of limits aiming at ensuring that the securities purchased can be traded in the secondary market without causing abrupt changes in the prices of the assets. Due to these guidelines, even securities with longer maturities have immediate liquidity.

### b) Financial instruments intended for executing the monetary policy

Considering the attributions of a monetary authority, which include controlling the liquidity of the financial system, the BCB is not subject to the limitations resulting from a mismatch between assets and liabilities in local currency.

### c) Maturity terms

The following table presents the contractual maturities of the assets and liabilities of the BCB in foreign currencies:

At Dec 31, 2015						
	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Assets</b>						
Cash and Cash Equivalents	52,681,331	-	-	-	-	52,681,331
Time Deposits Placed with Financial Institutions	17,758,558	42,405,444	-	-	-	60,164,002
Funds Under External Management	4,700,496	962,600	1,149,899	9,586,528	7,699,256	24,098,779
Financial Assets Purchased Under Resale Agreements	9,440,870	30,923,176	17,101,710	-	-	57,465,756
Derivatives	-	5,053	-	-	-	5,053
Securities	4,161,582	81,669,009	98,469,775	990,399,446	65,110,502	1,239,810,314
Receivables	304,400	-	-	4,575,584	-	4,879,984
Investment in International Financial Organizations (*)	-	-	-	-	23,131,720	23,131,720
<b>Total Assets (A)</b>	<b>89,047,237</b>	<b>155,965,282</b>	<b>116,721,384</b>	<b>1,004,561,558</b>	<b>95,941,478</b>	<b>1,462,236,939</b>
<b>Liabilities</b>						
Items in the Course of Collection	5,486,551	-	-	-	-	5,486,551
Deposits Received from Financial Institutions	2,776	-	-	-	-	2,776
Financial Assets Sold Under Repurchase Agreements	3,862,974	139,406	-	-	-	4,002,380
Derivatives	-	5,400	-	-	-	5,400
Accounts Payable (**)	15,621,696	-	-	-	-	15,621,696
Deposits Received from International Financial Organizations (**)	21,244,185	-	-	-	-	21,244,185
Other	4,546	-	-	-	-	4,546
<b>Total Liabilities (B)</b>	<b>46,222,728</b>	<b>144,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,367,534</b>
<b>Net position (A - B)</b>	<b>42,824,509</b>	<b>155,820,476</b>	<b>116,721,384</b>	<b>1,004,561,558</b>	<b>95,941,478</b>	<b>1,415,869,405</b>

(\*) Investment in International Financial Organizations was classified as ">5 years", in view of its nature of a permanent investment and with no maturity date.

(\*\*) Obligations arising from SDR allocations and Deposits Received from International Financial Organizations were classified as "up to 1 month", as they have no maturity date and because the counterparties may choose the payment date.

At Dec 31, 2014						
	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Assets</b>						
Cash and Cash Equivalents	25,420,081	-	-	-	-	25,420,081
Time Deposits Placed with Financial Institutions	7,547,744	26,564,049	-	-	-	34,111,793
Funds Under External Management	2,294,933	1,561,034	667,556	7,806,241	5,063,094	17,392,858
Financial Assets Purchased Under Resale Agreements	265,590	25,747,167	2,655,900	-	-	28,668,657
Derivatives	-	263	-	-	-	263
Securities	3,249,507	75,001,306	57,281,478	664,535,181	75,617,042	875,684,514
Receivables	289,383	-	-	4,021,504	-	4,310,887
Investment in International Financial Organizations (*)	-	-	-	-	16,451,014	16,451,014
Other	263	-	-	-	-	263
<b>Total Assets (A)</b>	<b>39,067,501</b>	<b>128,873,819</b>	<b>60,604,934</b>	<b>676,362,926</b>	<b>97,131,150</b>	<b>1,002,040,330</b>
<b>Liabilities</b>						
Items in the Course of Collection	8,084	-	-	-	-	8,084
Deposits Received from Financial Institutions	1,888	-	-	-	-	1,888
Financial Assets Sold Under Repurchase Agreements	-	775,655	-	-	-	775,655
Derivatives	-	662	-	-	-	662
Accounts Payable (**)	11,109,971	-	-	-	-	11,109,971
Deposits Received from International Financial Organizations (**)	14,249,810	-	-	-	-	14,249,810
Other	9,827	-	-	-	-	9,827
<b>Total Liabilities (B)</b>	<b>25,379,580</b>	<b>776,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,155,897</b>
<b>Net position (A - B)</b>	<b>13,687,921</b>	<b>128,097,502</b>	<b>60,604,934</b>	<b>676,362,926</b>	<b>97,131,150</b>	<b>975,884,433</b>

(\*) Investment in International Financial Organizations was classified as ">5 years", in view of its nature of a permanent investment and with no maturity date.

(\*\*) Obligations arising from SDR allocations and Deposits Received from International Financial Organizations were classified as "up to 1 month", as they have no maturity date and because the counterparties may choose the payment date.

## 38 - NON-FINANCIAL RISK

Non-financial risk, which includes, among others, the strategic, legal and operational risks, may generate financial loss, damage to reputation or inability to achieve the objectives of the business,

resulting from one or more causes of risk, originating from human factors, processes, defective or inadequate systems or external events. The management of the non-financial risk in the BCB is carried out using an integrated risk management system, which establishes the integration and coordination of the organization's risk management process in a single methodological framework, in a structured and systematic manner. The main tools used to identify and measure risks, supported by computer systems developed for this purpose, are: Risk and Control Self-Assessment (RCSA), key risk indicators and the history of events.

For the purpose of preventing and controlling the non-financial risk, the BCB has internal control systems in accordance with the characteristics of its activities, in addition to regulations that establish the competencies of each department and the attributions of their managers (Internal Rules and Administrative Organization Manual), and it also has standards that define the criteria and procedures for all its activities.

Compliance with these regulations and observance of the internal control systems are monitored by the Internal Audit of the BCB, which is responsible for ensuring the strict observance of these actions.

Additionally, every six months, the heads of department of the BCB attest to the consistency of the internal controls referring to the operations under their responsibility, which allows the Deputy Governor of Administration and the Head of the Accounting and Financial Department to sign, on behalf of the BCB, a declaration of responsibility on its internal controls to the independent audit firm.

### **39 - RELATED PARTIES**

In accordance with IAS 24 – Related Party Disclosures, the following entities are defined as related parties:

#### **39.1. Federal Government**

The BCB is an autonomous federal government agency linked to the Ministry of Finance (MF) and is a member of the SFN and, therefore, is subject to the guidelines of the CMN, the highest deliberative body of SFN. The CMN is responsible for establishing the general guidelines of the monetary, foreign exchange and credit policies, for regulating the functioning and supervision of the financial institutions and for disciplining the instruments for monetary and foreign exchange policy, as well as for approving the financial statements and accounting system of the BCB.

The Governor and Deputy Governors of the BCB do not have a fixed term mandate. They are appointed by the President of the Republic and approved by the Federal Senate.

The expenditure budget for the maintenance of the BCB is approved by the National Congress and its financial execution must observe the limits established by the Executive Branch.

All the operations between the BCB and the National Treasury are governed by constitutional and legal provisions of which the main provisions are listed below. Operations with other entities related to the Federal Government are carried out under market conditions and in the course of normal day to day transactions and, therefore, are not considered within the context of this note.

#### **a) Deposits to the Order of the Federal Government**

The financial resources of the Federal Government are deposited in the BCB (National Treasury Operating Account – Note 10); they can be freely utilized and are remunerated by the average yield of the federal government securities that exist in the portfolio of the BCB (Note 9.2). In 2015, the yield was 13.75% (11.67% in 2014).

#### **b) The result of the BCB**

A profit earned by the BCB, after the recording or reversal of reserves, creates an obligation of the BCB to the Federal Government, which must be transferred no later than the 10th working day after the approval of the financial statements by the CMN. If there is a loss, this result creates a credit for the BCB against the Federal Government, which must be paid by no later than the 10th working day of the year subsequent to the approval of the financial statements. In both situations, the amounts must be adjusted by the same indexes applied to the account Deposits to the Order of the Federal Government, until the date of the actual transfer or coverage (Notes 10 and 40.a).

### **c) Foreign exchange equalization**

Through the foreign exchange equalization operation (Notes 8.2.2 and 36.3), the carrying cost of the international reserves and the result of the foreign exchange swaps carried out in the domestic market are transferred to the Federal Government, through the National Treasury. These amounts are computed daily and the balance payable or receivable is calculated on the last day of the half year, and will be settled financially according to the same rules established for the transfer or coverage of the results, also with respect to their adjustment (Note 10).

### **d) Transfers from the National Treasury**

The BCB uses funds transferred by the Federal Government for the payment of part of its administrative expenses.

### **e) Payment of lawsuits**

The payments result from res judicata legal decisions in which the Federal Government and its autonomous agencies have been sentenced, have been made by competent courts, which are responsible for requesting budgetary and financial authorization (Notes 18.2 and 20.1). In 2015, the write-offs due to the payment of court-ordered debts referring to lawsuits in which the BCB was sentenced totaled R\$28,785 (in 2014, there was no write-offs due to the payment of court-ordered debts).

### **f) Use of securities as a monetary policy instrument**

The BCB uses securities issued by the National Treasury to carry out its monetary policy (Notes 7.2 and 9.2). All the purchases and sales of securities that take place between the BCB and the National Treasury are realized at market prices.

### **g) Providing of services for the placement of securities**

The BCB provides services for the placement of government securities in the financial market, leaving, however, the definition of characteristics, price and term of the papers placed to the National Treasury. Fees are not charged for providing this service.

### **h) Brazilian Sovereign Wealth Fund**

The Brazilian Sovereign Wealth Fund (FSB), created by Law 11,887, of December 24, 2008, is a special fund of an accounting and financial nature linked to the MF for the purpose of: (i) encouraging investments in assets in Brazil and abroad; (ii) forming public savings; (iii) mitigating the effects of economic cycles; and (iv) encouraging projects located abroad of strategic interest for Brazil. The form, term and nature of the investments of the FSB are approved by the Deliberative Council of the FSB (CDFSB), which comprises the State Minister of Finance, State Minister of Planning, Budget and Management, and the Governor of the BCB. Pursuant to Resolution 2, of September 17, 2010, of the CDFSB, the National Treasury was authorized to invest the Fund's resources in the purchase and sale of foreign currencies or in the carrying out of other foreign exchange operations, including derivative contracts, through an agreement to be entered into with the BCB. An agreement was entered into between the National Treasury and the BCB for this purpose; however, until the end of 2015, no operation had been carried out.

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

	Years ended December 31	
	2015	2014
<b>National Treasury Operating Account (Note 10)</b>		
Opening balance	605,920,552	655,965,327
(+) remuneration	86,049,514	55,116,509
(+/-) deposits/withdrawals	13,424,876	(141,314,938)
(+) transfer of positive result	176,537,139	36,153,654
Closing balance	881,932,081	605,920,552
<b>Securities issued by the National Treasury (Note 9.2)</b>		
Opening balance	1,113,234,371	953,068,070
(+/-) net purchase (net redemption)	(54,731,831)	(12,780,530)
(+) issuance for recovery of the portfolio (Note 22.1)	75,000,000	-
(+) issuance for covering the negative result/foreign exchange equalization	-	64,575,861
(+) remuneration (Note 23)	145,457,366	108,818,147
(+/-) fair value adjustment (Note 29.2)	178,288	(447,177)
Closing balance	1,279,138,194	1,113,234,371
<b>Result to be transferred to the National Treasury (Note 10)</b>		
Opening balance	25,658,860	14,270,953
(+) positive result to be transferred	76,712,309	30,933,506
(+) remuneration	1,449,335	378,548
(-) transfers	(62,295,997)	(19,924,147)
Closing balance	41,524,507	25,658,860
<b>Foreign exchange equalization (Note 8.2.2)</b>		
Opening balance	-	-
(+/-) adjustments	(157,344,722)	(13,949,864)
(+/-) transfers to accounts payable (receivables)	157,344,722	13,949,864
Closing balance	-	-
<b>Receivables due to foreign exchange equalization result (Note 10)</b>		
Opening balance	-	10,970,069
(+) foreign exchange equalization result	-	51,223,608
(+) remuneration	-	2,382,184
(-) receipts	-	(64,575,861)
Closing balance	-	-
<b>Accounts payable due to foreign exchange equalization result (Note 10)</b>		
Opening balance	65,173,472	15,918,931
(-) foreign exchange equalization result	157,344,722	65,173,472
(-) remuneration	2,661,039	310,577
(+) payments	(114,241,142)	(16,229,508)
Closing balance	110,938,091	65,173,472
<b>Transfer under budget law (Note 28)</b>	2,394,141	2,566,472

### 39.2. Centrus

Centrus, a nonprofit organization, is a private pension fund and its purpose is to supplement retirement benefits and pensions provided by the public social security system (Note 20.2.1). The BCB is the sponsor of Centrus and, accordingly, there were the following transactions between the entities:



	Years ended December 31	
	2015	2014
<b>Actuarial surplus (Note 15)</b>		
Opening balance	1,296,278	1,251,008
(+/-) remeasurements of defined benefit plans	(534,722)	(261,765)
(+) interest	330,777	307,035
Closing balance	1,092,333	1,296,278
<b>Receivables (Note 11.2.2.b)</b>		
Opening balance	553,987	1,538,119
(+) interest	70,846	81,829
(-) receipts	(269,296)	(1,065,961)
Closing balance	355,537	553,987

The variations in the period arose from remeasurements of defined benefit plans in the Centrus plan (Note 20.2.1), from the accrual of interest, and from the receipt of the monthly installments referring to the distribution of the surplus of the plan, as approved by Ordinance 504 of 2013 (Note 11.2.2.b).

### **39.3. Funpresp-Exe**

The Funpresp-Exe, a closed supplementary pension fund, is a privately-held legal entity, related to the MPOG, created by Decree 7,808, of September 20, 2012, for the purpose of managing and executing supplementary pension benefit plans for civil servants who hold statutory positions in the Federal Government (Note 20.2.2).

The BCB, as the sponsor of the plan, made contributions in 2015 amounting to R\$2,579 to the Funpresp-Exe (R\$747 in 2014).

### **39.4. Casa da Moeda do Brasil (CMB)**

The CMB (the Brazilian mint) is a federal public company, linked to the MF and its main activities comprise the exclusive manufacture of bank notes and coins and the printing of federal postage and tax stamps.

The bylaws of the CMB establish that its management will be carried out by the Board of Directors and by the Executive Board and that there will be one member on the Board of Directors indicated by the BCB.

In 2015, the BCB purchased notes and coins in the amount of R\$518,286 (R\$349,718 in 2014) (Note 21).

### **39.5. Pension fund of the Brazilian Mint (Cifão)**

Cifão, established by the CMB, a nonprofit organization, is a private pension fund, endowed with a legal personality of private law, with its own equity and administrative and financial autonomy. Its main purpose is to establish and execute pension plans for the employees of the CMB. There are no transactions between the BCB and Cifão.

### **39.6. Reserve for the Institutional Development of the BCB (Redi-BC)**

The funds of the Redi-BC are intended to support the execution of relevant and essential projects focused on the institutional functioning and development of the BCB and which aim at implementing the actions defined in its strategic planning. In 2015, Redi-BC spent R\$91,431 (R\$126,752 in 2014) to pay for the execution of projects and reimbursed the BCB the amount of R\$4,263 (R\$3,970 in 2014) as a management fee.

### 39.7. Personnel Assistance Fund (Faspe)

Faspe is an accounting fund created to generate resources intended to maintain the health care benefits of the employees of the BCB. It was created by Law 9,650, of May 27, 1998, which determined that its resources will be comprised by budget allocations from the BCB and monthly contributions from the participants, where the contributions of the BCB must be equivalent to the income forecast from the participants' contributions. It also determined that in the event of a deficit in the system, the BCB will be able to use available funds to cover the deficit.

In 2015, the expenses incurred by the BCB as an ordinary contribution to Faspe totaled R\$90,326 (R\$83,789 in 2014), and the extraordinary contributions amounted to R\$47,112 (R\$38,450 in 2014).

### 39.8. Board of Directors and members occupying strategic positions

The BCB has eight Directors (including the Governor), a Head of Cabinet of the Governor, an Executive Secretary, an Attorney General and 46 employees – consisting of Heads of Cabinets of Directors and Heads of Departments, considered as occupying strategic positions.

The following table presents the costs with remuneration and other benefits attributed to the directors and the other members occupying strategic positions:

	Years ended December 31	
	2015	2014
<b>Short-term benefits</b>	<b>27,225</b>	<b>25,308</b>
Directors	3,913	3,590
Other members occupying strategic positions	23,312	21,718
<b>Total</b>	<b>27,225</b>	<b>25,308</b>

The short-term benefits paid include wages, per diem allowances, social security contributions, housing allowances, food allowances and medical care. The salaries and benefits are established by law and there is no connection between them and the financial performance of the BCB. The BCB does not make loans to the members of its board or to its employees.

The benefits resulting from the termination of the work relationship comprise the compensatory remuneration payable to Board members after their exoneration from the position they have occupied, due to the legal impediment to exercise activities or provide services in their sector for a period of six months as from exoneration. There were no expenses with these benefits in 2014 and 2015.

The BCB does not have other long-term benefits and does not offer post-employment benefits to the members of the Board, with the exception of those that are part of the staff of the BCB, who receive the same benefits as the other employees of the BCB (Note 20.2).

## 40 - FISCAL RESPONSABILITY LAW – MANDATORY 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 the 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\$37,568,491 in the third quarter and R\$3,953,048 in the fourth quarter, totaling a positive result of R\$41,521,539 in the second 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\$22,561,668 in the third quarter and R\$25,587,860 in the fourth quarter, totaling R\$48,149,528 in the second 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 December 31, 2015, 90.77% of the reserve assets were comprised of securities, as published in the Press Release of the External Sector (table 30), available on the BCB's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

In the third quarter of 2015, the international reserves presented a positive return of 24.42%. After deducting the funding cost of the BCB, the net result of the reserves was positive by 18.27% (R\$239,537,182). In the fourth quarter, the return of the reserves was 2.40% negative, totaling 4.43% negative (R\$62,996,785) when taking into consideration the funding cost.

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability (%)		(%)	(R\$ thousand)
3rd quarter/2015	1,311,439,538	24.42	(6.15)	18.27	239,537,182
4th quarter/2015	1,422,387,371	(2.40)	(2.03)	(4.43)	(62,996,785)
<b>Total for the half year</b>					<b>176,540,397</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 third quarter of 2015 a positive return of 0.18%, being comprised of accrued interest (0.15%) and the positive mark-to-market adjustment of the assets (0.03%). After deducting the funding cost, the net result of the reserves was negative by 5.97% (R\$78,267,583). In the fourth quarter, the profitability of the reserves was negative by 0.37% (0.10% through the accrual of interest and 0.47% through the negative mark-to-market adjustment of the assets), totaling 2.40% negative (R\$34,137,202) 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)
3rd quarter/2015	1,311,439,538	0.18	(6.15)	(5.97)	(78,267,583)
4th quarter/2015	1,422,387,371	(0.37)	(2.03)	(2.40)	(34,137,202)
<b>Total for the half year</b>					<b>(112,404,785)</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\$33,991,644 in the third quarter and R\$39,852,631 in the fourth quarter, totaling R\$73,844,275 in the second half of 2015.

Governor: Alexandre Antonio Tombini

Deputy governors: Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Luiz Edson Feltrim,  
Otávio Ribeiro Damaso, Sidnei Corrêa Marques e 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**

**Financial statements at**

**December 31, 2015**

**and independent auditor's report**



(A free translation of the original in Portuguese)

## **Independent auditor's report**

To the Management  
Banco Central do Brasil

We have audited the accompanying financial statements of Banco Central do Brasil ("BCB"), which comprise the balance sheet as at December 31, 2015 and the statements of income, comprehensive income, changes in equity and foreign currency cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Banco Central do Brasil

### **Opinion**

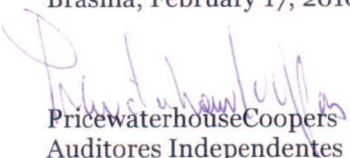
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Central do Brasil as at December 31, 2015, and its financial performance and foreign currency cash flows for the year then ended, in accordance with the IFRS issued by the International Accounting Standards Board (IASB).

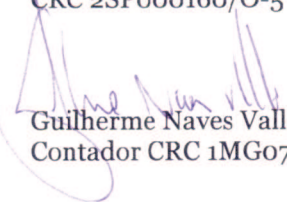
### **Other matters**

### **Supplementary information**

We have also audited the accounting information included in the supplementary information presented in Note 40, which is not required by the IFRS but is being presented in compliance with the Fiscal Responsibility Law. This accounting information has been subjected to the same procedures described above and, based on our opinion, 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 financial statements taken as a whole.

Brasília, February 17, 2016

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

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