BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

June 30, 2014

In thousands of Reais

A S S E T S	Notes	Jun 30, 2014	Dec 31, 2013
ASSETS IN FOREIGN CURRENCIES		**858,466,166**	**900,658,954**
Cash and Cash Equivalents	**4**	23,877,816	23,284,414
Time Deposits Placed with Financial Institutions	**5**	39,426,052	32,094,222
Funds Under External Management	**6**	15,283,820	15,296,770
Financial Assets Purchased Under Resale Agreements	**7.1**	15,893,525	40,632,086
Securities	**9.1**	738,851,940	763,304,951
Receivables		4,304,065	4,552,553
Gold		6,274,064	6,072,028
Investment in International Financial Organizations		14,554,884	15,421,930
ASSETS IN LOCAL CURRENCY		**1,090,139,801**	**1,007,026,968**
Cash and Cash Equivalents		-	471,600
Deposits		1,566,391	1,513,042
Financial Assets Purchased Under Resale Agreements		1,005	5,403
Derivatives	**8.2**	-	27,855
Federal Government Securities	**9.2**	995,871,520	953,068,070
Receivables from the Federal Government	**10**	51,240,987	10,971,117
Receivables	**11**	39,154,100	38,863,245
Property and Equipment		791,332	787,272
Other		1,514,466	1,319,364
TOTAL ASSETS		**1,948,605,967**	**1,907,685,922**

L I A B I L I T I E S A N D E Q U I T Y	Notes	Jun 30, 2014	Dec 31, 2013
LIABILITIES IN FOREIGN CURRENCIES		**29,992,251**	**30,501,083**
Items in the Course of Collection		7,782,138	7,538,885
Deposits Received from Financial Institutions		1,566	1,665
Financial Assets Sold Under Repurchase Agreements		474,692	375,385
Derivatives	**8.1**	-	308
Accounts Payable		9,830,208	10,416,377
Deposits Received from International Financial Organizations		11,900,770	12,164,179
Other		2,877	4,284
LIABILITIES IN LOCAL CURRENCY		**1,716,173,205**	**1,654,536,025**
Items in the Course of Collection		19,059	12,084
Deposits Received from Financial Institutions	**12**	387,445,689	369,095,050
Financial Assets Sold Under Repurchase Agreements	**7.2**	651,759,213	568,885,481
Derivatives	**8.2**	952,298	1,079,227
Payables to the Federal Government	**10**	646,686,025	687,081,449
Accounts Payable		987,498	876,655
Deposits Received from International Financial Organizations		6,052	7,640
Provisions		28,279,986	27,466,016
Other		37,385	32,423
CURRENCY IN CIRCULATION	**13**	**184,543,364**	**204,052,420**
EQUITY	**14**	**17,897,147**	**18,596,394**
Capital		24,675,451	24,675,451
Revenue Reserve		6,624,205	6,624,205
Revaluation Reserve		438,156	441,299
Gains (Losses) Recognized Directly in Equity		(13,840,665)	(13,144,561)
TOTAL LIABILITIES AND EQUITY		**1,948,605,967**	**1,907,685,922**

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

CONDENSED INTERIM INCOME STATEMENT

In thousands of Reais

	Notes	1st half/2014	1st half/2013
Interest income		55,179,687	48,467,315
Interest expenses		(81,020,484)	(59,949,861)
Net interest result	**15**	(25,840,797)	(11,482,546)
Gains (losses) on financial instruments classified as At fair value through profit or loss, held for trading	**16**	33,588,980	28,681,230
Gains (losses) on financial instruments classified as At fair value through profit or loss, by designation of the management	**17**	1,628,287	(338,233)
Gains (losses) from foreign currencies	**18**	(4,572,634)	2,290,608
Gains (losses) from monetary gold	**19**	202,036	(1,474,558)
Other income	**20**	1,572,550	1,649,627
Other expenses	**20**	(1,306,919)	(1,638,057)
NET INCOME FOR THE SEMESTER	**21.1**	**5,271,503**	**17,688,071**

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

In thousands of Reais

	Notes	1st half/2014	1st half/2013
NET INCOME FOR THE SEMESTER	**21.1**	**5,271,503**	**17,688,071**
OTHER COMPREHENSIVE INCOME		**(696,104)**	**(7,892,684)**
Items which will not be reclassified to results		**(867,046)**	**819,376**
Investment in International Financial Organizations		(867,046)	819,376
Items which may be reclassified to results		**170,942**	**(8,712,060)**
Federal Government Securities		170,942	(8,712,060)
COMPREHENSIVE INCOME FOR THE SEMESTER	**21.2**	**4,575,399**	**9,795,387**

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

BANCO CENTRAL DO BRASIL

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

In thousands of Reais

	Note	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	TOTAL EQUITY
At December 31, 2013	**14**	**24,675,451**	**6,624,205**	**441,299**	**(13,144,561)**	**18,596,394**
Realization of Revaluation Reserves		3,143	-	(3,143)	-	-
Gains (losses) recognized directly in Equity		-	-	-	(696,104)	(696,104)
Net income for the 1st half of 2014		5,271,503	-	-	-	5,271,503
Result to be transferred to the National Treasury - 1st half of 2014		(5,274,646)	-	-	-	(5,274,646)
At June 30, 2014	**14**	**24,675,451**	**6,624,205**	**438,156**	**(13,840,665)**	**17,897,147**
At December 31, 2012		**24,675,451**	**1,606,019**	**447,584**	**(7,995,711)**	**18,733,343**
Realization of Revaluation Reserves		3,143	-	(3,143)	-	-
Gains (losses) recognized directly in Equity		-	-	-	(7,892,684)	(7,892,684)
Net income for the 1st half of 2013		17,688,071	-	-	-	17,688,071
Constitution of Revenue Reserve		(5,018,186)	5,018,186	-	-	-
Result transferred to the National Treasury - 1st half of 2013		(12,673,028)	-	-	-	(12,673,028)
At June 30, 2013		**24,675,451**	**6,624,205**	**444,441**	**(15,888,395)**	**15,855,702**

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

CONDENSED INTERIM STATEMENT OF FOREIGN CURRENCIES CASH FLOWS

In thousands of Reais

	Note	1st half/2014	1st half/2013
Net Cash Flow from Operating Activities		**3,489,874**	**11,557,928**
Interest received		5,655,275	5,579,030
Interest paid		(6,000)	(3,318)
Purchase of securities		(19,135,848)	(7,240,783)
Purchase of foreign currencies		55,713	356,187
Redemptions of repurchase and reverse repurchase transactions		24,049,162	7,633,790
(Placement) redemptions of time deposits		(8,518,358)	3,659,028
Placement of funds under external management		(5,548)	(6,184)
Formation of passive deposits		352,110	262,494
Receipts on behalf of the National Treasury		8,913	4,913
Receipt of receivables		1,311,956	1,097,611
(Payments) receipts resulting from operations with derivatives		(281,625)	207,624
Other receipts		4,124	7,536
Net Cash Flow		**3,489,874**	**11,557,928**
Change in Cash and Cash Equivalents		**3,489,874**	**11,557,928**
Cash and cash equivalents at the beginning of the semester		23,284,414	13,636,611
Cash and cash equivalents at the end of the semester	**4**	23,877,816	25,947,171
Effect of exchange rate changes on cash and cash equivalents		(2,896,472)	752,632

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

1 - THE BANK AND ITS ATTRIBUTIONS

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

The Board of Directors approved these condensed interim financial statements on August 20, 2014, submitting them to the National Monetary Council (CMN) for the authorization of their disclosure on August 28, 2014, as established by Law 4,595, of 1964. These condensed interim financial statements are published on the BCB's website (www.bcb.gov.br).

2 - PRESENTATION

The BCB's condensed interim financial statements for the six-month period ended June 30, 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and follow the provisions of the International Accounting Standard (IAS) 34 – Interim Financial Reporting. Therefore, they do not include all the disclosures required for a complete set of financial statements and should be read along with the financial statements as at December 31, 2013.

3 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by the BCB, which were consistently applied to the comparative financial information, is 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 recording or reversal of reserves, or covered by it in the event of a net loss (Notes 21.1 and 24.a).

3.2. Recognition of interest income and expenses

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

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

3.3. Assets and liabilities in foreign currencies

The functional and reporting currency of these condensed interim financial statements is the Brazilian Real, which represents the currency of the main economic environment in which the BCB operates. Transactions in foreign currency 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:

(All amounts expressed in thousands of Reais, unless otherwise stated) 7

	Reais / currency	
	Jun 30, 2014	**Dec 31, 2013**
U.S. Dollar	2.2022	2.3423
Euro	3.0144	3.2259
Canadian Dollar	2.0627	2.2021
Pound Sterling	3.7667	3.8720
Australian Dollar	2.0757	2.0937
SDR	3.4044	3.6072
Yen	0.0217	0.0223
Swedish Krona	0.3292	0.3638
Danish Krone	0.4043	0.4325
Gold (troy ounces)	2,904.0411	2,810.5258

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

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

3.4. Financial assets and liabilities

3.4.1 Recognition

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

The BCB conducts operations in which it does not substantially receive all the risks and benefits of financial assets traded, as in financial assets purchased under resale agreements. In this situation, the assets traded are not recognized in the accounting and the amounts invested are recorded in the balance sheet at the 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 where 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 risks retention and the right to income and expenses. The main transactions with these characteristics are repurchase agreements and securities lending operations.

3.4.3 Offsetting of financial assets and liabilities

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

3.4.4 Classification of financial instruments

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

a) At Fair Value through Profit or Loss

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

- if there is the intention to trade it in the short-term;
- if it is a financial derivative;
- 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 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 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 and making maximum use of market inputs, which include 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:

Assets in Foreign Currencies	Category	Measurement Basis / Source of Information
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

Assets in Local Currency	Category	Measurement Basis / Source of Information
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

Liabilities in Foreign Currencies	Category	Measurement Basis / Source of Information
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

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

3.4.6 Impairment of financial assets

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

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

a) financial difficulties of the debtor;

b) default of any payment, whether related to the principal or interest;

c) renegotiation or discounts granted;

d) extrajudicial liquidation, bankruptcy and financial reorganization; and

e) disappearance of an active market, due to financial difficulties of the issuer.

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

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

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

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

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

3.4.7 Derivatives

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

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

3.5. Gold

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

Accordingly, the investments in monetary gold are recognized at fair value upon their contracting, that is, on the date on which the entity undertakes to make the purchase or sale. After initial recording, the gains and losses arising from the changes in fair value, calculated by the PM Fixing quotation of 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 equipments 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 capitalized only when it is probable that future economic benefits associated with the item will flow to the BCB and these can be reliably estimated. 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 estimated reliably. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

(All amounts expressed in thousands of Reais, unless otherwise stated) 11

3.7.2 Post-employment benefits

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

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 provision 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.

3.8. Tax immunity

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

3.9. Statement of cash flows

The purpose of the Statement of Cash Flows is to present an entity’s capacity to generate cash in order to meet its liquidity requirements. Considering that the BCB is the institution responsible for the liquidity of the financial system and, therefore, the holder of the right to issue currency, the BCB’s Management understands that the statement of cash flows referring to its operations should be limited to the transactions in foreign currencies, since these are outside its prerogative to issue.

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

4 - CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES

	Jun 30, 2014	Dec 31, 2013
Cash	437,315	633,161
Demand deposits	9,707,278	9,773,444
Very short-term time deposits	13,733,223	12,877,809
Total	**23,877,816**	**23,284,414**

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

The variation in the period is mainly due to the higher amount of investments in very short-term time deposits and demand deposits, given that the foreign exchange auction transactions in the interbank market, which expired at the end of the half-year, were not renewed (Note 7.1). This fact resulted in an increase in the balance of cash and equivalents which was partially offset by the effects of the foreign exchange variation arising from the appreciation of the Real against the U.S. dollar (Note 3.3) in the period.

5 - TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

These comprise the portion of international reserves held by the BCB as fixed time deposits in international financial institutions, in accordance with its risk management policy.

(All amounts expressed in thousands of Reais, unless otherwise stated) 12

The variation in the balance of these deposits is basically due to the increase in investments, given that the foreign exchange auction transactions in the interbank market, which expired at the end of the half-year, were not renewed (Note 7.1). This situation was partially offset by the effects of the appreciation of the Real against the U.S. dollar (Note 3.3) in the period.

6 - FUNDS UNDER EXTERNAL MANAGEMENT

	Jun 30, 2014	Dec 31, 2013
Fund managed by the BIS	**775,747**	**564,928**
External Management Program	**14,508,073**	**14,731,842**
Securities	**12,570,935**	**12,611,935**
Up to 1 year	3,702,922	4,027,458
1 - 5 years	7,033,185	6,274,877
> 5 years	1,834,828	2,309,600
Index funds	**1,289,035**	**1,198,195**
Equity instruments	1,289,035	1,198,195
Cash/receivables	**648,103**	**921,712**
Total	**15,283,820**	**15,296,770**

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

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

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

The variation in the period is due to the effects of the foreign exchange variation arising from the appreciation of the Real against the U.S. dollar (Note 3.3), which was partially offset by the increase of the fair value of the reference portfolio and by the investment of funds in the BISIP CNY in April 2014.

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

These are transactions in which assets are purchased under an agreement to be sold on a future date (reverse repo) or are sold under an agreement to be repurchased at a future date (repo). On the foreign market, the BCB usually 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.

(All amounts expressed in thousands of Reais, unless otherwise stated) 13

7.1. In foreign currencies

	Jun 30, 2014	Dec 31, 2013
Financial Assets Purchased Under Resale Agreements	**15,893,525**	**40,632,086**
Foreign Market	**475,923**	**374,976**
Currencies	475,923	374,976
Domestic Market	**15,417,602**	**40,257,110**
Currencies	15,417,602	40,257,110

In the period, the most significant variation in the balances was due to the decrease in operations in foreign currencies carried out in the domestic market, associated with the BCB's activity in the interbank foreign exchange market. This decrease mainly arises from the improved foreign currency liquidity conditions in the interbank foreign exchange market, as well as from the consequent reduction of the demand for foreign exchange auctions, which has resulted in the non-renewal of a portion of the expired transactions.

7.2. In local currency

	Jun 30, 2014	Dec 31, 2013
Financial Assets Sold Under Repurchase Agreements	**651,759,213**	**568,885,481**
Securities	634,941,799	528,733,563
Foreign Currencies	16,817,414	40,151,918
Assets granted as collateral	**644,962,761**	**536,543,925**
Freely tradable	163,192,672	183,720,184
Not freely tradable	481,770,089	352,823,741

The changes in the balance of repo transactions result mainly from the net redemption of federal government securities held by general public, in addition to the payment of interest by the BCB on its open market operations. This effect was mitigated by the BCB's activity in the interbank foreign exchange market.

8 - DERIVATIVES

8.1. In foreign currencies

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

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

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At Jun 30, 2014

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Index futures				
No stated maturity			-	-
Euro	974,238	-	-	-
Yen	249,878	-	-	-
Securities futures				
1 - 5 years			-	-
U.S. Dollar	-	24,413,622	-	-
Euro	11,468,067	-	-	-
> 5 years			-	-
U.S. Dollar	6,045,633	104,532	-	-
Canadian Dollar	-	1,621,169	-	-
Euro	-	2,751,897	-	-
Total			**-**	**-**

At Dec 31, 2013

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 - 6 months			-	308
Australian Dollar	73,279	-	-	308
U.S. Dollar	-	73,345	-	-
Index futures				
1 - 5 years			-	-
Euro	401,038	-	-	-
Pound Sterling	752,039	-	-	-
Interest futures				
1 - 5 years			-	-
U.S. Dollar	-	1,599,724	-	-
Securities futures				
1 - 5 years			-	-
U.S. Dollar	6,101,172	2,011,594	-	-
> 5 years			-	-
U.S. Dollar	-	1,061,776	-	-
Euro	5,479,332	10,083,381	-	-
Total			**-**	**308**

(All amounts expressed in thousands of Reais, unless otherwise stated) 15

8.2. In local currency

	Jun 30, 2014	Dec 31, 2013
Asset Position	**-**	**27,855**
Swap	-	24,655
Other	-	3,200
Liability Position	**952,298**	**1,079,227**
Swap	952,298	1,077,085
Other	-	2,142

8.2.1 Swap

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

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

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

The agreements may be of the Exchange Swap with Periodic Adjustments (SCC) type, the object of negotiation of which is the difference between the effective interest rate of Interbank Deposits (ID) and the variation of the foreign exchange rate in relation to the U.S. dollar, or they can be of the Exchange Swap with Periodic Adjustments based on One-Day Repurchase Agreements (SCS) type, in which the object of negotiation is the difference between the effective interest rate of the daily financing calculated at the Special System for Settlement and Custody (Selic) rate and the variation of the foreign exchange rate in relation to the U.S. dollar. In the long position of these agreements, the BCB is on the asset side in a domestic interest rate (Selic or ID rate), and on the liability side in foreign exchange variation plus exchange coupon, which is a representative interest rate in U.S. dollars. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus exchange coupon and on the liability side in a domestic interest rate (Selic or ID rate). These contracts have a notional value equivalent to US$50 thousand and daily financial adjustment. The amount of collateral is stipulated by BM&FBovespa.

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

At Jun 30, 2014

	Notional value			Fair value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	22,157,150	-	41,869,525	-	10,105
1 - 6 months	98,836,086	-	98,836,086	-	528,493
6 - 12 months	85,541,796	-	72,635,146	-	390,149
1 - 5 years	11,121,524	-	4,315,799	-	23,551
Total	**217,656,556**	**-**	**217,656,556**	**-**	**952,298**

(All amounts expressed in thousands of Reais, unless otherwise stated) 16

At Dec 31, 2013

	Notional value			Fair value	
	Long Position	Short Position	Net Position	Assets	Liabilities
1 month	23,262,018	-	23,262,018	24,655	-
1 - 6 months	106,781,565	-	106,781,565	-	718,192
6 - 12 months	70,330,708	-	70,330,708	-	358,893
Total	**200,374,291**	**-**	**200,374,291**	**24,655**	**1,077,085**

8.2.2 Foreign exchange equalization

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

Through foreign exchange equalization, which presents characteristics similar to a swap, the carrying cost of international reserves (represented by the difference between the profitability of the reserves and the BCB's average funding cost) and the result of the foreign exchange swaps performed in the domestic market are transferred to the federal government through the National Treasury. These amounts are calculated on a daily basis and the balance payable or receivable is calculated on the last working day of the half-year, and will be settled financially according to the same rules established for the transfer or coverage of the results (Notes 21.1 and 24.a).

a) Equalization of the carrying cost of the international reserves

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

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

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

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

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9 - SECURITIES

9.1. In foreign currencies

	Jun 30, 2014	Dec 31, 2013
Uncommitted securities	**738,790,868**	**763,304,951**
1 month	3,181,100	4,847,982
1 - 6 months	63,921,284	50,774,231
6 - 12 months	88,124,018	96,723,011
1 - 5 years	532,916,961	558,975,096
> 5 years	50,647,505	51,984,631
Securities subject to definitive sale operations pending settlement	**61,072**	**-**
> 5 years	61,072	-
Total	**738,851,940**	**763,304,951**

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

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

	Jun 30, 2014	Dec 31, 2013
Amortized cost	733,862,180	759,747,502
Fair value adjustment	4,989,760	3,557,449
Carrying amount	**738,851,940**	**763,304,951**

The variation in the portfolio of securities in foreign currencies was mainly due to the effects of the appreciation of the Real against the U.S. dollar (Note 3.3), the currency in which a significant part of this portfolio is denominated, partially offset by the accrual of interest and by the positive fair value adjustment of the portfolio in the period.

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9.2. In local currency

At Jun 30, 2014

	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	**44,983,105**	**2,316,227**	**22,786,835**	**129,315,475**	**127,054,747**	**326,456,389**
National Treasury Bills (LTN)	44,983,105	-	1,285,573	45,629,612	-	91,898,290
Financial Treasury Bills (LFT)	-	2,316,225	12,381	6,302,857	14,157,545	22,789,008
National Treasury Notes - Series B (NTN-B)	-	2	10,789,614	40,148,995	96,228,754	147,167,365
National Treasury Notes - Series F (NTN-F)	-	-	10,699,267	37,234,011	16,668,448	64,601,726
Securities subject to repurchase agreements	**-**	**91,950,220**	**67,690,123**	**290,745,742**	**194,576,676**	**644,962,761**
National Treasury Bills (LTN)	-	-	58,092,099	176,961,343	-	235,053,442
Financial Treasury Bills (LFT)	-	71,729,214	-	45,410,878	18,374,832	135,514,924
National Treasury Notes - Series B (NTN-B)	-	20,221,006	9,180,070	56,221,584	119,527,114	205,149,774
National Treasury Notes - Series F (NTN-F)	-	-	417,954	12,151,937	56,674,730	69,244,621
Securities granted as collateral	**-**	**-**	**17,940,434**	**6,511,654**	**-**	**24,452,088**
Financial Treasury Bills (LFT)	-	-	17,940,434	6,511,654	-	24,452,088
Untradeable securities	**-**	**-**	**4**	**102**	**176**	**282**
National Treasury Notes - Series P (NTN-P)	-	-	4	102	176	282
Total	**44,983,105**	**94,266,447**	**108,417,396**	**426,572,973**	**321,631,599**	**995,871,520**

At Dec 31, 2013

	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	**49,948,754**	**11,828,139**	**28,885,304**	**175,251,662**	**127,539,999**	**393,453,858**
National Treasury Bills (LTN)	29,489,299	11,828,133	11,951,594	69,453,413	-	122,722,439
Financial Treasury Bills (LFT)	-	6	1,919,975	12,930,817	7,506,291	22,357,089
National Treasury Notes - Series B (NTN-B)	-	-	15,013,735	51,591,892	105,360,371	171,965,998
National Treasury Notes - Series F (NTN-F)	20,459,455	-	-	41,275,540	14,673,337	76,408,332
Securities subject to repurchase agreements	**-**	**63,697,600**	**103,630,340**	**230,573,023**	**138,642,962**	**536,543,925**
National Treasury Bills (LTN)	-	31,274,667	31,017,175	139,594,709	-	201,886,551
Financial Treasury Bills (LFT)	-	32,422,933	68,256,210	23,831,732	5,067,061	129,577,936
National Treasury Notes - Series B (NTN-B)	-	-	4,356,955	48,253,624	90,161,750	142,772,329
National Treasury Notes - Series F (NTN-F)	-	-	-	18,892,958	43,414,151	62,307,109
Securities granted as collateral	**-**	**-**	**-**	**19,417,816**	**3,652,231**	**23,070,047**
Financial Treasury Bills (LFT)	-	-	-	19,417,816	3,652,231	23,070,047
Untradeable securities	**-**	**-**	**-**	**103**	**137**	**240**
National Treasury Notes - Series P (NTN-P)	-	-	-	103	137	240
Total	**49,948,754**	**75,525,739**	**132,515,644**	**425,242,604**	**269,835,329**	**953,068,070**

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, the BCB, as the securities fall due, 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.;

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- 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 BCB's portfolio of federal government securities was due to the accrual of interest in the period (Note 15) and the issuance of securities by the National Treasury in favor of the BCB, for the payment of the result obtained in the foreign exchange equalization operation referring to the second half of 2012 (R$11,003,331 – Note 22.1), partially offset by the net redemption of securities.

10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Jun 30, 2014	Dec 31, 2013
Foreign exchange equalization result	51,223,608	10,970,069
Other	17,379	1,048
Total	**51,240,987**	**10,971,117**

Payables to the Federal Government	Jun 30, 2014	Dec 31, 2013
National Treasury Operating Account	640,464,884	655,965,327
Foreign exchange equalization result	-	15,918,931
Result to be transferred to the National Treasury	5,274,646	14,270,953
Other	946,495	926,238
Total	**646,686,025**	**687,081,449**

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are detailed in Note 22.1.

The increase in receivables from the Federal Government basically corresponds to the coverage of the receivable result obtained in the foreign exchange equalization operation referring to the first half of 2014. With regard to payables to the Federal Government, the variations are mainly associated to the behavior of the balance of the National Treasury Operating Account, to the transfer of the result obtained in the foreign exchange equalization operation referring to the second half of 2013 and to the result of the first half of 2014, to be transferred to the National Treasury, in an amount lower than that obtained in the same period of the previous year.

11 - RECEIVABLES IN LOCAL CURRENCY

At Jun 30, 2014

	Amortized cost	Fair value adjustment	Carrying amount
At Fair Value through Profit or Loss - Designation	**41,703,602**	**(15,607,023)**	**26,096,579**
Banco Nacional - Under Extrajudicial Liquidation	28,860,923	(10,422,469)	18,438,454
Banco Econômico - Under Extrajudicial Liquidation	10,318,438	(3,991,027)	6,327,411
Banco Bamerindus - Under Extrajudicial Liquidation	2,085,389	(845,178)	1,240,211
Banco Banorte - Under Extrajudicial Liquidation	438,852	(348,349)	90,503
Loans and Receivables	**13,057,521**	**-**	**13,057,521**
Transfer of resources related to rural credit	12,275,615	-	12,275,615
Centrus	642,855	-	642,855
Other	139,051	-	139,051
Total	**54,761,123**	**(15,607,023)**	**39,154,100**

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At Dec 31, 2013

	Amortized cost	Fair value adjustment	Carrying amount
At Fair Value through Profit or Loss - Designation	**41,971,681**	**(16,009,267)**	**25,962,414**
Banco Nacional - Under Extrajudicial Liquidation	28,969,456	(10,844,773)	18,124,683
Banco Econômico - Under Extrajudicial Liquidation	10,381,866	(3,905,790)	6,476,076
Banco Bamerindus - Under Extrajudicial Liquidation	2,164,830	(888,926)	1,275,904
Banco Banorte - Under Extrajudicial Liquidation	455,529	(369,778)	85,751
Loans and Receivables	**12,900,831**	**-**	**12,900,831**
Transfer of resources related to rural credit	11,223,351	-	11,223,351
Centrus	1,538,119	-	1,538,119
Other	139,361	-	139,361
Total	**54,872,512**	**(16,009,267)**	**38,863,245**

11.1. At Fair Value through Profit or Loss – Designation

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

Based on Law 12,249, of June 11, 2010, the BCB's credits with the institutions under liquidation became payable in cash or in installments, at the request of the debtor, with discounts from 25% to 45% on the charges. The balance at June 30, 2014 corresponds to the fair value of the credits that were subject to installment payment, as set forth in the referred legal instrument.

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

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

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

11.2. Loans and Receivables

These are mainly represented by transfers of resources originating from the compulsory reserve requirements for rural credit deficiencies. Such transfers are granted at the request of the financial institutions, are limited to the amount of their own compulsory reserve requirements and must be applied in rural credit operations.

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

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12 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS IN LOCAL CURRENCY

	Jun 30, 2014	Dec 31, 2013
Demand Deposits	38,315,231	45,457,358
Time Deposits	88,369,032	73,982,149
Savings Deposits	122,292,925	116,213,827
Additional Requirements	125,116,896	119,993,673
Other	13,351,605	13,448,043
Total	**387,445,689**	**369,095,050**

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

The change in the balance of deposits received from financial institutions is basically associated with the fluctuation in the amounts subject to collection and with the reduction of allowable deductions for the compulsory reserve requirements on time deposits in the period.

13 - CURRENCY IN CIRCULATION

The Currency in Circulation represents the balance of bank notes and coins in circulation, held by general public and financial institutions, recorded at the issuing amount.

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

14 - EQUITY

	Jun 30, 2014	Dec 31, 2013
Capital	**24,675,451**	**24,675,451**
Revenue Reserve	**6,624,205**	**6,624,205**
Revaluation Reserve	**438,156**	**441,299**
Gains (Losses) Recognized Directly in Equity	**(13,840,665)**	**(13,144,561)**
Investment in International Financial Organizations	(2,552,924)	(1,685,878)
Federal government securities	2,057,179	1,886,237
Remeasurements of defined benefit plans	(13,344,920)	(13,344,920)
Total	**17,897,147**	**18,596,394**

The main changes in the equity accounts arise from the negative fair value adjustment of the investments in international financial organizations, given the appreciation of the Real against the SDR (Note 3.3) in the period.

15 - NET INTEREST RESULT

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

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	1st half/2014	1st half/2013
Interest income	**55,179,687**	**48,467,315**
In foreign currencies	**39,571**	**45,128**
Cash and Cash Equivalents (Note 4)	12,869	12,194
Time Deposits Placed with Financial Institutions (Note 5)	18,834	21,933
Reverse Repo (Note 7)	2,632	4,150
Loans	-	1,239
Other	5,236	5,612
In local currency	**55,140,116**	**48,422,187**
Securities (Note 9)	54,789,121	47,688,248
Federal Government (Note 10)	33,334	531,675
Other	317,661	202,264
Interest expenses	**(81,020,484)**	**(59,949,861)**
In foreign currencies	**(1,196,060)**	**(97,396)**
Repo (Note 7)	(1,190,162)	(93,217)
Loans	(5,336)	(3,318)
Other	(562)	(861)
In local currency	**(79,824,424)**	**(59,852,465)**
Deposits Received from Financial Institutions (Note 12)	(14,218,636)	(8,713,595)
Repo (Note 7)	(34,418,298)	(23,947,054)
Federal Government (Note 10)	(29,953,270)	(26,116,247)
Other	(1,234,220)	(1,075,569)
Net interest result	**(25,840,797)**	**(11,482,546)**

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

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

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

	1st half/2014	1st half/2013
In Foreign Currencies	**(37,909,238)**	**44,972,391**
Securities (Note 9)	(37,393,562)	44,004,552
Funds Under External Management (Note 6)	(232,476)	813,313
Other	(283,200)	154,526
In Local Currency	**71,498,218**	**(16,291,161)**
Derivatives (Note 8)	71,498,227	(16,291,153)
Other	(9)	(8)
Total	**33,588,980**	**28,681,230**

The variation is mainly a result of the effects of the appreciation of the Real against the U.S. dollar in the first half of 2014 (Note 3.3), the currency in which a significant part of the securities portfolio is denominated, while in the first half of 2013 there was an opposite movement in the foreign exchange rates.

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Another relevant variation is observed in derivatives in local currency, which can be explained by the behavior of the foreign exchange equalization operation between the National Treasury and the BCB (Note 22.1).

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

These include interest and fair value adjustment of the receivables from institutions under extrajudicial liquidation (Note 11.1).

18 - GAINS (LOSSES) FROM FOREIGN CURRENCIES

These represent the result of foreign exchange restatement 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.

	1st half/2014	1st half/2013
Gains (losses) from foreign currencies		
Cash and Cash Equivalents	(2,896,472)	752,632
Time Deposits Placed with Financial Institutions	(2,574,868)	2,476,129
Repurchase operations	(318,125)	230,465
Receivables	(230,349)	223,996
Items in the Course of Collection	166,353	(178,108)
Accounts Payable	585,506	(553,338)
Deposits Received from International Financial Organizations	693,585	(658,229)
Other	1,736	(2,939)
Total	**(4,572,634)**	**2,290,608**

The result presented arises from the effects of the appreciation of the Real against the main foreign currencies in the first half of 2014 (Note 3.3), while in the first half of 2013 the exchange rates presented an opposite trend.

19 - GAINS (LOSSES) ON MONETARY GOLD

These refer to the changes in the price of gold (Note 3.3) and include foreign exchange variation and fair value adjustments. The change in the balance in the period is due to the positive fair value adjustment of gold in the first half of 2014, while in the first half of 2013 this adjustment was negative, partially offset by the effects of the foreign exchange variation arising from the appreciation of the Real against the U.S. dollar (Note 3.3).

(All amounts expressed in thousands of Reais, unless otherwise stated) 24

20 - OTHER INCOME AND EXPENSES

	1st half/2014	1st half/2013
Other Income	**1,572,550**	**1,649,627**
Fines	8,813	241,385
Transfer from the National Treasury	1,380,404	1,217,772
Court-ordered debts	166	9,061
Reversal of provision for litigation	9,308	29,391
Tariffs	106,430	104,509
Other	67,429	47,509
Other Expenses	**(1,306,919)**	**(1,638,057)**
Personnel	(772,814)	(827,209)
Production and distribution of cash	(73,414)	(518,082)
Provision for litigation	(96,672)	(63,070)
Depreciation	(18,012)	(17,623)
Other	(346,007)	(212,073)

21 - INCOME STATEMENT

21.1. Net income for the semester

The result for the semester was positive in R$5,271,503 (R$17,688,071 in the first half of 2013), as shown in the table below:

	1st half/2014	1st half/2013
International Reserve Operations and Swaps	**-**	**-**
Profitability of the foreign currency reserves	(44,452,354)	43,526,675
Foreign exchange derivatives - Swaps in local currency	20,274,619	(524,651)
Foreign exchange equalization of reserves and derivatives (Profitability)	24,177,735	(43,002,024)
Other transactions in foreign currencies	**1,016,029**	**2,209,498**
Transactions in local currency	**3,989,852**	**15,467,011**
Interest income	55,140,116	48,422,187
Interest expenses	(79,824,424)	(59,852,465)
Foreign exchange equalization (Funding cost)	27,045,873	27,235,522
Institutions under liquidation (Fair value adjustment)	1,628,287	(338,233)
Other transactions in local currency	**265,622**	**11,562**
Net income for the semester	**5,271,503**	**17,688,071**

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 BCB's net income 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 receivables from the institutions under liquidation also contribute to the net income.

In accordance with the applicable legislation, the net income for the first half of 2014 will be transferred to the National Treasury no later than the 10th working day after the approval of these financial statements by the CMN (Note 1).

21.2. 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.

In order to provide greater transparency to the income statement, the statement of comprehensive income discloses the gains and losses recognized directly in equity, whose items are presented in Note 14.

When reclassified to another category, the fair value adjustment of the federal government securities previously classified as Available-for-sale and recorded in Gains (Losses) Recognized Directly in Equity (Note 14) is amortized to the income statement during the remaining life of the reclassified securities.

22 - RELATED PARTIES

22.1. Federal Government

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

(All amounts expressed in thousands of Reais, unless otherwise stated) 26

	1st half/2014	2nd half/2013
National Treasury Operating Account (Note 10)		
Opening balance	655,965,327	520,186,169
(+) remuneration	29,360,832	24,815,818
(+/-) deposits/withdrawals	(75,640,162)	79,147,200
(+) transfer of positive result	30,778,887	31,816,140
Closing balance	640,464,884	655,965,327
Securities issued by the National Treasury (Note 9.2)		
Opening balance	953,068,070	914,047,176
(+/-) net purchase (net redemption)	(11,924,562)	(5,794,743)
(+) remuneration	54,789,121	46,495,015
(+/-) fair value adjustment	(61,109)	(1,679,378)
Closing balance	995,871,520	953,068,070
Result to be transferred to the National Treasury (Note 10)		
Opening balance	14,270,953	15,463,844
(+) positive result to be transferred	5,274,646	14,270,953
(+) remuneration	278,426	290,058
(-) transfers	(14,549,379)	(15,753,902)
Closing balance	5,274,646	14,270,953
Foreign exchange equalization		
Opening balance	-	-
(+/-) adjustments	51,223,608	(15,918,931)
(+/-) transfers to accounts payable (receivables)	(51,223,608)	15,918,931
Closing balance		
Receivables due to foreign exchange equalization result (Note 10)		
Opening balance	10,970,069	10,432,267
(+) foreign exchange equalization result	51,223,608	-
(+) remuneration	33,262	537,802
(-) amounts receveid	(11,003,331)	-
Closing balance	51,223,608	10,970,069
Accounts payable due to foreign exchange equalization result (Note 10)		
Opening balance	(15,918,931)	(15,766,502)
(-) foreign exchange equalization result	-	(15,918,931)
(-) remuneration	(310,577)	(295,736)
(+) payments	16,229,508	16,062,238
Closing balance	-	(15,918,931)
Transfer under budget law (Note 20)	1,380,404	894,188

22.2. Centrus

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

(All amounts expressed in thousands of Reais, unless otherwise stated) 27

	1st half/2014	2nd half/2013
Actuarial Surplus		
Opening balance	1,251,008	766,746
(+/-) remeasurements of definied benefits plans	-	400,150
(+) interest	127,187	84,112
Closing balance	1,378,195	1,251,008
Receivables (Note 11)		
Opening balance	1,538,119	1,067,285
(+) interest	53,473	121,787
(+) distribution of surplus	-	546,839
(-) amounts received	(948,737)	(197,792)
Closing balance	642,855	1,538,119

23 - SUBSEQUENT EVENT

On July 15, 2014, the Banco Bamerindus – Under Extrajudicial Liquidation settled its debt with the BCB, which had been subject to installment payment, in compliance with Law 12,249, of 2010 (Note 11.1). It is important to highlight that the operation was preceded by the BCB's legal department analysis, which manifested on July 10, 2014, the legal possibility, indicating the calculation methodology applicable under the referred Law.

On the date of the payment, the restated amount receivable was R$1,969,632, which resulted in a positive financial effect of R$729,421 in the BCB's net income, arising mainly from the reversal of the fair value adjustment – since it represented the present value adjustment of the cash flows, calculated based on the difference between the rates established under the contract and the market rates for the installment payment term – partially offset by the discount granted for the prepayment of the future installments.

24 - FISCAL RESPONSIBILITY 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 1, 1988, the results obtained by Banco Central, considering the revenues and expenses related to all its operations, shall be determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years".

This provision was partially amended by the Fiscal Responsibility Law (Complementary Law 101, of May 4, 2000):

"*Article 7. The result of 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 Banco Central 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 BCB's result 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.

(All amounts expressed in thousands of Reais, unless otherwise stated) 28

The BCB presented a positive result of R$1,404,563 in the first quarter and R$3,866,940 in the second quarter, giving a total result of R$5,271,503 in the first half of 2014 which, after 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 balance sheets.

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 was R$14,079,175 in the first quarter and R$15,285,087 in the second quarter, totaling R$29,364,262 in the first half of 2014.

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

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

At June 30, 2014, 91.45% of the reserve assets were comprised of securities, as published in the Press Release of the External Sector (table 49), available on the BCB's website (www.bcb.gov.br).

In the first quarter of 2014, the international reserves presented a negative return of 3.17%. After deducting the BCB's funding cost, the net result of the reserves was negative by 4.61% (R$40,979,129). In the second quarter, the return of the reserves was 1.93% negative, totaling 3.62% negative (R$30,519,098) when taking into account the funding cost.

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousand)	Profitability (%)	(%)	(%)	(R$ thousand)
1st quarter/2014	888,162,788	(3.17)	(1.44)	(4.61)	(40,979,129)
2nd quarter/2014	844,034,226	(1.93)	(1.69)	(3.62)	(30,519,098)
Total for the 1st half/2014					**(71,498,227)**

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, in the first quarter of 2014, the international reserves presented a positive return of 0.24%, which is composed by accrued interest (0.12%) and the positive mark-to-market adjustment of the assets (0.12%). After deducting the funding cost, the net result of the reserves was negative by 1.20% (R$10,653,837). In the second quarter, the profitability of the reserves was positive by 0.49% (0.15% through the accrual of interest and 0.34% through the positive mark-to-market adjustments of the assets), totaling 1.20% negative (R$10,111,783) when considering the funding cost.

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousand)	Profitability, excluding foreign exchange variation (%)	(%)	(%)	(R$ thousand)
1st quarter/2014	888,162,788	0.24	(1.44)	(1.20)	(10,653,837)
2nd quarter/2014	844,034,226	0.49	(1.69)	(1.20)	(10,111,783)
Total for the 1st half/2014					**(20,765,620)**

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

The profitability of the BCB's securities portfolio, composed exclusively of securities issued by the Federal Government, was R$26,852,644 in the first quarter and R$27,963,477 in the second quarter, totaling R$54,789,121 in the first half of 2014.

Governor: Alexandre Antonio Tombini
Deputy governors: Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Carlos Hamilton Vasconcelos Araújo, Luiz Awazu Pereira da Silva, Luiz Edson Feltrim e Sidnei Corrêa Marques
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

Report on review of condensed interim financial statements at June 30, 2014

(A free translation of the original in Portuguese)

Report on review of condensed interim financial statements

To the Management
Banco Central do Brasil

Introduction

We have reviewed the accompanying condensed interim balance sheet of Banco Central do Brasil ("BCB") as at June 30, 2014 and the condensed interim statements of income, comprehensive income, changes in equity and foreign currency cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the condensed interim financial statements

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

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Banco Central do Brasil

Other matters

Supplementary information

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

Brasília, August 20, 2014

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

Geovani da Silveira Fagunde
Contador CRC 1MG051926/O-0 "S" DF