



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

# **Financial Statements**

December 31, 2014

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

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ASSETS	Notes	Dec 31, 2014	Dec 31, 2013	LIABILITIES AND EQUITY	Notes	Dec 31, 2014	Dec 31, 2013
<b>ASSETS IN FOREIGN CURRENCIES</b>		<b><u>1,008,907,527</u></b>	<b><u>900,658,954</u></b>	<b>LIABILITIES IN FOREIGN CURRENCIES</b>		<b><u>26,155,897</u></b>	<b><u>30,501,083</u></b>
Cash and Cash Equivalents	4	25,420,081	23,284,414	Items in the Course of Collection	16	8,084	7,538,885
Time Deposits Placed with Financial Institutions	5.1	34,111,793	32,094,222	Deposits Received from Financial Institutions	17	1,888	1,665
Funds Under External Management	6	17,392,858	15,296,770	Financial Assets Sold Under Repurchase Agreements	7.1	775,655	375,385
Financial Assets Purchased Under Resale Agreements	7.1	28,668,657	40,632,086	Derivatives	8.1	662	308
Derivatives	8.1	263	-	Accounts Payable	18.1	11,109,971	10,416,377
Securities	9.1	875,684,514	763,304,951	Deposits Received from International Financial Organizations	19	14,249,810	12,164,179
Receivables	11.1	4,310,887	4,552,553	Other		9,827	4,284
Gold	12	6,867,197	6,072,028				
Investment in International Financial Organizations	13	16,451,014	15,421,930				
Other	15	263	-				
<b>ASSETS IN LOCAL CURRENCY</b>		<b><u>1,148,122,839</u></b>	<b><u>1,007,026,968</u></b>	<b>LIABILITIES IN LOCAL CURRENCY</b>		<b><u>1,891,310,748</u></b>	<b><u>1,654,536,025</u></b>
Cash and Cash Equivalents	4	-	471,600	Items in the Course of Collection	16	11,616	12,084
Deposits	5.2	1,624,101	1,513,042	Deposits Received from Financial Institutions	17	325,872,059	369,095,050
Financial Assets Purchased Under Resale Agreements	7.2	-	5,403	Financial Assets Sold Under Repurchase Agreements	7.2	837,124,219	568,885,481
Derivatives	8.2	5,595,746	27,855	Derivatives	8.2	-	1,079,227
Federal Government Securities	9.2	1,113,234,371	953,068,070	Payables to the Federal Government	10	697,896,062	687,081,449
Receivables from the Federal Government	10	1,574	10,971,117	Accounts Payable	18.2	940,652	876,655
Receivables	11.2	25,476,482	38,863,245	Deposits Received from International Financial Organizations	19	9,168	7,640
Property and Equipment	14	825,965	787,272	Provisions	20	29,418,613	27,466,016
Other	15	1,364,600	1,319,364	Other		38,359	32,423
				<b>CURRENCY IN CIRCULATION</b>	21	<b><u>220,853,706</u></b>	<b><u>204,052,420</u></b>
				<b>EQUITY</b>		<b><u>18,710,015</u></b>	<b><u>18,596,394</u></b>
				Capital	22.1	24,675,451	24,675,451
				Revenue Reserve	22.2	6,624,205	6,624,205
				Revaluation Reserve	22.2	434,672	441,299
				Gains (Losses) Recognized Directly in Equity	22.3	(13,024,313)	(13,144,561)
<b>TOTAL ASSETS</b>		<b><u>2,157,030,366</u></b>	<b><u>1,907,685,922</u></b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,157,030,366</u></b>	<b><u>1,907,685,922</u></b>

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

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

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	Notes	Years ended December 31	
		2014	2013
Interest income		111,890,776	95,823,623
Interest expenses		(168,409,767)	(129,893,275)
Net interest result	23	(56,518,991)	(34,069,652)
Gains (losses) on financial instruments classified as At Fair Value Through Profit or Loss, held for trading	24	80,416,796	60,745,354
Gains (losses) on financial instruments classified as At Fair Value Through Profit or Loss, by designation of the management	25	3,479,508	2,153,248
Gains (losses) from foreign currencies	26	2,418,064	4,762,115
Gains (losses) from monetary gold	27	795,169	(1,244,595)
Other income	28	3,064,853	3,228,676
Other expenses	28	(2,728,520)	(3,619,264)
<b>NET INCOME FOR THE YEAR</b>	<b>29.1</b>	<b>30,926,879</b>	<b>31,955,882</b>

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

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

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	Notes	Years ended December 31	
		2014	2013
<b>NET INCOME FOR THE YEAR</b>	<b>29.1</b>	<b>30,926,879</b>	<b>31,955,882</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>22.3</b>	<b>120,248</b>	<b>(5,148,850)</b>
<b>Items which will not be reclassified to results</b>		<b>335,374</b>	<b>5,242,589</b>
Investment in International Financial Organizations		1,029,084	1,996,388
Remeasurements of Defined Benefit Plans		(693,710)	3,246,201
<b>Items which may be reclassified to results</b>		<b>(215,126)</b>	<b>(10,391,439)</b>
Federal Government Securities		(215,126)	(10,391,439)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>29.2</b>	<b>31,047,127</b>	<b>26,807,032</b>

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

**BANCO CENTRAL DO BRASIL**  
**STATEMENT OF CHANGES IN EQUITY**  
**In thousands of Reals**

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	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	NET INCOME FOR THE YEAR	TOTAL EQUITY
<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 Reserve	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 to be 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>
<b>At December 31, 2012</b>		<b>24,675,451</b>	<b>1,606,019</b>	<b>447,584</b>	<b>(7,995,711)</b>	<b>-</b>	<b>18,733,343</b>
Realization of Revaluation Reserve	22.2	-	-	(6,285)	-	6,285	-
Gains (losses) recognized directly in Equity	22.3	-	-	-	(5,148,850)	-	(5,148,850)
Net income for the 1st half of 2013		-	-	-	-	17,688,071	17,688,071
Net income for the 2nd half of 2013		-	-	-	-	14,267,811	14,267,811
Net income for 2013	29.1	-	-	-	-	31,955,882	31,955,882
Constitution of Revenue Reserve	22.2	-	5,018,186	-	-	(5,018,186)	-
Result transferred to the National Treasury - 1st half of 2013	39.1.b	-	-	-	-	(12,673,028)	(12,673,028)
Result transferred to the National Treasury - 2nd half of 2013	39.1.b	-	-	-	-	(14,270,953)	(14,270,953)
<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>

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	
		2014	2013
<b><u>Net Cash Flow from Operating Activities</u></b>		<b>1,739,173</b>	<b>6,770,395</b>
Interest received		11,387,435	12,540,440
Interest paid		(9,772)	(6,965)
(Purchase) sale of securities		(24,494,173)	10,621,668
Purchase of foreign currencies		1,467,751	624,100
Redemptions (placement) of repurchase and reverse repurchase transactions		12,985,134	(27,475,330)
(Placement) redemptions of time deposits		(2,773,602)	5,759,017
Placement of funds under external management		(229,828)	(11,816)
Formation of deposit liabilities		919,775	2,410,608
Receipts on behalf of the National Treasury		22,862	49,097
Receipt of receivables		2,517,351	2,285,642
Payments resulting from operations with derivatives		(53,626)	(23,422)
Other (payments) receipts		(134)	(2,644)
<b><u>Net Cash Flow</u></b>		<b>1,739,173</b>	<b>6,770,395</b>
<b><u>Change in Cash and Cash Equivalents</u></b>		<b>1,739,173</b>	<b>6,770,395</b>
Cash and cash equivalents at the beginning of the year		23,284,414	13,636,611
Cash and cash equivalents at the end of the year	<b>4</b>	25,420,081	23,284,414
Effect of foreign exchange variation on cash and cash equivalents	<b>26</b>	396,494	2,877,408

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 11, 2015, their submission to the National Monetary Council (CMN) for the authorization of their disclosure on February 27, 2015, as established in 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, 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

### **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 contracts, which are covered by the scope of other IFRS. This standard is mandatory for annual periods beginning on or after January 1st, 2017, 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 19 – Employee Benefits: in November 2013, the IASB issued a revision of IAS 19, in order to clarify the requirements that relate to how contributions from employees or third parties that are linked to the service should be attributed to periods of service as a reduction of service cost. These amendments are mandatory for annual periods beginning on or after July 1st, 2014.
- 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 results of operations

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 and 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, 2014	Dec 31, 2013	Dec 31, 2012
U.S. Dollar	2.6559	2.3423	2.0432
Euro	3.2264	3.2259	2.6949
Canadian Dollar	2.2915	2.2021	2.0542
Pound Sterling	4.1398	3.8720	3.3025
Australian Dollar	2.1760	2.0937	2.1192
SDR	3.8479	3.6072	3.1402
Yen	0.0222	0.0223	0.0237
Swedish Krona	0.3438	0.3638	0.3137
Danish Krone	0.4334	0.4325	0.3613
Gold (troy ounces)	3,178.5811	2,810.5258	3,386.6040

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

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

### 3.4. Financial assets and liabilities

#### 3.4.1 Recognition

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



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

#### **3.4.5 Measurement**

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

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

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

<b>Assets in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized cost
Time Deposits Placed with Financial Institutions	Loans and Receivables	Amortized cost
Funds Under External Management	At Fair Value through Profit or Loss	Fair value - Manager
Financial Assets Purchased Under Resale Agreements	Loans and Receivables	Amortized cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair value - Stock exchanges
Derivatives - Forward	At Fair Value through Profit or Loss	Fair value - Internal Models/Bloomberg
Securities	At Fair Value through Profit or Loss	Fair value - Bloomberg
Receivables	Loans and Receivables	Amortized cost
Investment in International Financial Organizations	Available-for-sale	Fair value - Redemption value in Reais
<b>Assets in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Cash and Cash Equivalents	Loans and Receivables	Amortized cost
Deposits	Loans and Receivables	Amortized cost
Financial Assets Purchased Under Resale Agreements	Loans and Receivables	Amortized cost
Derivatives - Swap	At Fair Value through Profit or Loss	Fair value - 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
<b>Liabilities in Foreign Currencies</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized cost
Deposits Received from Financial Institutions	Other liabilities	Amortized cost
Financial Assets Sold Under Repurchase Agreements	Other liabilities	Amortized cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair value - Stock exchanges
Derivatives - Forward	At Fair Value through Profit or Loss	Fair value - Internal Models/Bloomberg
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost
<b>Liabilities in Local Currency</b>	<b>Category</b>	<b>Measurement Basis / Source of Information</b>
Items in the Course of Collection	Other liabilities	Amortized cost
Deposits Received from Financial Institutions	Other liabilities	Amortized cost
Financial Assets Sold Under Repurchase Agreements	Other liabilities	Amortized cost
Derivatives - Swap	At Fair Value through Profit or Loss	Fair value - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At Fair Value through Profit or Loss	Fair value - BCB
Payables to the Federal Government	Other liabilities	Amortized cost
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

### **3.4.6 Impairment of financial assets**

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

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

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

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

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

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

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

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

### **3.4.7 Derivatives**

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

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

## **3.5. Gold**

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

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

## **3.6. Property and equipment**

This group of accounts consists of land, buildings and equipment acquired by the BCB for its own use, as well as the collection of works of art and precious metals, except monetary gold (Note 3.5), and it

is recorded at cost, less accumulated depreciation, when applicable. All the expenses directly attributable to the acquisition or the construction of an asset are included in the cost. Further expenditures are 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.

#### **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 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 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.

In addition, the BCB also sponsors a defined contribution plan, administered by the Supplementary Pension Foundation of the Federal Civil Servants of the Executive Branch (Funpresp-Exe), which is destined to supplement the retirement payments and pensions of statutory employees.

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.

The contributions made by the BCB to Funpresp-Exe are fully recognized as an expense.

### **3.8. Tax immunity**

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

### **3.9. Statement of cash flows**

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

For 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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>In Foreign Currencies</b>	<b>25,420,081</b>	<b>23,284,414</b>
Cash	437,420	633,161
Demand deposits	11,087,602	9,773,444
Very short-term time deposits	13,895,059	12,877,809
<b>In Local Currency</b>	<b>-</b>	<b>471,600</b>
<b>Total</b>	<b>25,420,081</b>	<b>23,756,014</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 effects of foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3).

#### 5 - DEPOSITS

##### 5.1. In foreign currencies

These deposits 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), in the amount of R\$34,111,793 (R\$32,094,222 in 2013).

The variation in the balance of these deposits is basically due to the effects of the depreciation of the Real against the U.S. Dollar (Note 3.3) verified in the period, partially offset by the diversification of the investment portfolio, between time deposits and securities denominated in foreign currencies (Note 9.1).

##### 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, 2014, the balance amounted to R\$1,624,101 (R\$1,513,042 in 2013).

## 6 - FUNDS UNDER EXTERNAL MANAGEMENT

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Fund managed by the BIS</b>	<b>919,410</b>	<b>564,928</b>
<b>External Management Program</b>	<b>16,473,448</b>	<b>14,731,842</b>
<b>Securities</b>	<b>13,601,749</b>	<b>12,611,935</b>
Up to 1 year	3,057,817	4,027,458
1 - 5 years	7,806,241	6,274,877
> 5 years	2,737,691	2,309,600
<b>Index funds</b>	<b>2,325,403</b>	<b>1,198,195</b>
Equity instruments	2,325,403	1,198,195
<b>Cash/receivables</b>	<b>546,296</b>	<b>921,712</b>
<b>Total</b>	<b>17,392,858</b>	<b>15,296,770</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 investment of funds in the BISIP CNY in April 2014 and to the effects of the foreign exchange variation arising from the depreciation of the Real against the investment reference currencies (Note 3.3).

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

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

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

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

### 7.1. In foreign currencies

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Financial Assets Purchased Under Resale Agreements</b>	<b><u>28,668,657</u></b>	<b><u>40,632,086</u></b>
<b>Foreign Market</b>	<b>781,707</b>	<b>374,976</b>
Currencies	781,707	374,976
<b>Domestic Market</b>	<b>27,886,950</b>	<b>40,257,110</b>
Currencies	27,886,950	40,257,110
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b><u>775,655</u></b>	<b><u>375,385</u></b>
<b>Foreign Market</b>	<b>775,655</b>	<b>375,385</b>
Currencies	775,655	375,385

#### 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 significant variation in the balances was related to the decrease in operations carried out in the domestic market, associated with the BCB's activity in the interbank foreign exchange market. This decrease can be justified mainly by the improved foreign currency liquidity conditions in the interbank foreign exchange market, as well as by the consequent reduction of the demand for foreign exchange auctions, which has resulted in the non-renewal of a portion of the expired transactions.

#### 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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Financial Assets Purchased Under Resale Agreements</b>	-	<b>5,403</b>
Securities	-	5,403
<b>Assets granted as collateral</b>	-	<b>5,404</b>
<b>Financial Assets Sold Under Repurchase Agreements</b>	<b>837,124,219</b>	<b>568,885,481</b>
Securities	809,062,682	528,733,563
Foreign Currencies	28,061,537	40,151,918
<b>Assets granted as collateral</b>	<b>818,810,675</b>	<b>536,543,925</b>
Freely tradeable	170,052,321	183,720,184
Not freely tradeable	648,758,354	352,823,741

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 variation in the balance of repo transactions mainly resulted 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 and the decrease in the compulsory reserve requirements of financial institutions in 2014 (Note 17). 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.

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:

- a) 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;
- b) 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, 2014**

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

**At Dec 31, 2013**

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

Considering the characteristics of a currency swap, no collateral is constituted in forward operations. In futures operations, the collateral is constituted by deposits that totaled R\$283,893 in 2014 (R\$193,458 in 2013).

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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Asset Position</b>	<b><u>5,595,746</u></b>	<b><u>27,855</u></b>
Swap	5,595,746	24,655
Other	-	3,200
<b>Liability Position</b>	<b><u>-</u></b>	<b><u>1,079,227</u></b>
Swap	-	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 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 can be of the Exchange Swap with Periodic Adjustments (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 Exchange Swap with Periodic Adjustments based on 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. Dollar. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus foreign 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, 2014**

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

**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
<b>Total</b>	<b>200,374,291</b>	<b>-</b>	<b>200,374,291</b>	<b>24,655</b>	<b>1,077,085</b>

**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 2014, the result of the foreign exchange equalization operation was R\$13,949,864 negative (R\$31,685,433 negative in 2013), as presented in Note 39.1.

**9 - SECURITIES**

**9.1. In foreign currencies**

	Dec 31, 2014	Dec 31, 2013
<b>Uncommitted securities</b>	<b>875,684,514</b>	<b>763,304,951</b>
1 month	3,249,507	4,847,982
1 - 6 months	75,001,306	50,774,231
6 - 12 months	57,281,478	96,723,011
1 - 5 years	664,535,181	558,975,096
> 5 years	75,617,042	51,984,631
<b>Total</b>	<b>875,684,514</b>	<b>763,304,951</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. 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, 2014	Dec 31, 2013
Amortized cost	870,081,409	759,747,502
Fair value adjustment	5,603,105	3,557,449
<b>Carrying amount</b>	<b>875,684,514</b>	<b>763,304,951</b>

The difference in the portfolio of securities in foreign currencies was 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); the purchase of securities arising from the diversification of the investment portfolio of international reserves (Note 5.1); the accrual of interest; and the positive fair value adjustment of the portfolio in the period.

## 9.2. In local currency

### At Dec 31, 2014

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Uncommitted 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>

### At Dec 31, 2013

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Uncommitted securities</b>	<b>49,948,754</b>	<b>11,828,139</b>	<b>28,885,304</b>	<b>175,251,662</b>	<b>127,539,999</b>	<b>393,453,858</b>
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
<b>Securities subject to repurchase agreements</b>	<b>-</b>	<b>63,697,600</b>	<b>103,630,340</b>	<b>230,573,023</b>	<b>138,642,962</b>	<b>536,543,925</b>
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
<b>Securities granted as collateral</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,417,816</b>	<b>3,652,231</b>	<b>23,070,047</b>
Financial Treasury Bills (LFT)	-	-	-	19,417,816	3,652,231	23,070,047
<b>Untradeable securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>137</b>	<b>240</b>
National Treasury Notes - Series P (NTN-P)	-	-	-	103	137	240
<b>Total</b>	<b>49,948,754</b>	<b>75,525,739</b>	<b>132,515,644</b>	<b>425,242,604</b>	<b>269,835,329</b>	<b>953,068,070</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 composition of this portfolio, therefore, tends to accompany the profile of the federal government debt securities held by the market, whereby, as the securities in its portfolio fall due, the BCB recomposes its portfolio through purchases in public offerings by the National Treasury, where these operations are always carried out at the average price paid by the other market players.

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

- National Treasury Bills (LTN): fixed interest rate set by a discount on the face value;
- Financial Treasury Bills (LFT): floating interest rate set by the adjusted average rate of the daily financing obtained in the Selic (Selic rate);
- National Treasury Notes – Series B (NTN-B): floating interest rate set by the Amplified National Consumer Price Index (IPCA), with semiannual payment of a coupon interest rate of 6% p.a.;
- National Treasury Notes – Series F (NTN-F): fixed interest rate set by a discount on the face value, with semiannual payment of a coupon interest rate of 10% p.a.;
- National Treasury Notes – Series P (NTN-P): registered, non-negotiable securities, adjusted by the Referential Rate (TR), plus interest of 6% p.a. upon redemption.

The variation in the BCB's portfolio of federal government securities was basically due to the accrual of interest in the period (Note 23) 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 and the first half of 2014 (R\$64,575,861 – Note 39.1), partially offset by the net redemption of securities.

## 10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Dec 31, 2014	Dec 31, 2013
Foreign exchange equalization result	-	10,970,069
Other	1,574	1,048
<b>Total</b>	<b>1,574</b>	<b>10,971,117</b>
Payables to the Federal Government	Dec 31, 2014	Dec 31, 2013
National Treasury Operating Account	605,920,552	655,965,327
Foreign exchange equalization result	65,173,472	15,918,931
Result to be transferred to the National Treasury	25,658,860	14,270,953
Other	1,143,178	926,238
<b>Total</b>	<b>697,896,062</b>	<b>687,081,449</b>

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

The variation in the receivables from the Federal Government basically corresponds to the coverage, in 2014, of the receivable result obtained in the foreign exchange equalization operation referring to the second half of 2012 (Note 39.1). With regard to payables to the Federal Government, the variations are associated to the behavior of the balance of the National Treasury Operating Account and to the result of the second half of 2014, including the foreign exchange equalization operation, to be transferred to the National Treasury, in an amount superior to that obtained in the same period of the previous year (Note 39.1).

## 11 - RECEIVABLES

### 11.1. In foreign currencies

	Dec 31, 2014	Dec 31, 2013
New Arrangements to Borrow	4,021,504	4,102,379
CCR	283,314	446,371
Other	6,069	3,803
<b>Total</b>	<b>4,310,887</b>	<b>4,552,553</b>

The balance of receivables in foreign currencies as at December 31, 2014 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 decrease in the receivables arising from the CCR and 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, 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>

**At Dec 31, 2013**

	Amortized cost	Fair value adjustment	Carrying amount
<b>At Fair Value through Profit or Loss - Designation</b>	<b>41,971,681</b>	<b>(16,009,267)</b>	<b>25,962,414</b>
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
<b>Loans and Receivables</b>	<b>12,900,831</b>	<b>-</b>	<b>12,900,831</b>
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
<b>Total</b>	<b>54,872,512</b>	<b>(16,009,267)</b>	<b>38,863,245</b>

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

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

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

On July 15, 2014, Banco Bamerindus – Under Extrajudicial Liquidation settled its debt with the BCB, which had been subject to installment payments, in compliance with Law 12,249, of 2010. 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 net income of the BCB, recorded in Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the Management (Note 25), arising basically from the reversal of the fair value adjustment – since it represented the present value adjustment of the cash flows, calculated based on the differential 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.

## 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). 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.

The 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 reserve requirements.

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

### 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 Superintendency 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 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 observed basically arose from the receipt of the balances existing as at December 31, 2013, referring to the distribution of the surplus of the plan approved by Ordinance 192, of April 14, 2011, issued by Previc, and from the receipt of the monthly installments referring to the distribution of the surplus of the plan approved by Ordinance 504, of 2013 (Note 39.2).

## 12 - GOLD

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
Cost	5,784,327	5,101,333
Fair value adjustment	1,082,870	970,695
<b>Carrying amount</b>	<b>6,867,197</b>	<b>6,072,028</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 positive fair value adjustment of gold and to the effects of foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar in the period (Notes 3.3 and 27).



### 13 - INVESTMENT IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The investment of the BCB in international financial organizations consists of quotas of the IMF (1.79% 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.

	Dec 31, 2014	Dec 31, 2013
International Monetary Fund	16,355,287	15,332,191
Bank for International Settlements	95,727	89,739
<b>Total</b>	<b>16,451,014</b>	<b>15,421,930</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

#### 2014

	Precious metals under several forms	Land	Buildings	Equipment	Works of art and museum pieces	Total
<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>

#### 2013

	Precious metals under several forms	Land	Buildings	Equipment	Works of art and museum pieces	Total
<b>At Dec 31, 2012</b>	<b>12,459</b>	<b>256,324</b>	<b>380,618</b>	<b>98,691</b>	<b>30,172</b>	<b>778,264</b>
Cost	12,501	256,324	473,214	239,391	30,172	1,011,602
Accumulated depreciation	-	-	(92,596)	(140,700)	-	(233,296)
Provision for losses	(42)	-	-	-	-	(42)
<b>Changes in 2013</b>	<b>-</b>	<b>-</b>	<b>17,312</b>	<b>(8,304)</b>	<b>-</b>	<b>9,008</b>
Acquisitions/Construction	-	-	27,420	17,706	-	45,126
Sales/Write-offs	-	-	-	(27,052)	-	(27,052)
Depreciation	-	-	(10,108)	(25,644)	-	(35,752)
Depreciation write-off	-	-	-	26,686	-	26,686
<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>

## 15 - OTHER ASSETS

	Dec 31, 2014	Dec 31, 2013
<b>In Foreign Currencies</b>	<b>263</b>	-
<b>In Local Currency</b>	<b>1,364,600</b>	<b>1,319,364</b>
Actuarial Surplus - Centrus (Note 20.2)	1,296,278	1,251,008
Other	68,322	68,356
<b>Total</b>	<b>1,364,863</b>	<b>1,319,364</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 within three days. At December 31, 2014, the balance of items in the course of collection, denominated in foreign and local currencies, was R\$8,084 and R\$11,616 (R\$7,538,885 and R\$12,084 in 2013), respectively.

## 17 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	Dec 31, 2014	Dec 31, 2013
<b>In Foreign Currencies</b>	<b>1,888</b>	<b>1,665</b>
<b>In Local Currency</b>	<b>325,872,059</b>	<b>369,095,050</b>
Demand Deposits	42,674,811	45,457,358
Time Deposits	41,187,190	73,982,149
Savings Deposits	122,393,740	116,213,827
Additional Requirements	118,574,108	119,993,673
Deficiencies in applications in rural credit	445,771	12,666,240
Other	596,439	781,803
<b>Total</b>	<b>325,873,947</b>	<b>369,096,715</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 in federal government securities. The deposits made in cash are recognized as on demand liabilities of the BCB.

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

- a) on demand deposits: 45%, without remuneration;
- b) on time deposits: 20%, remunerated by the Selic rate;
- c) on savings deposits: 20% (13% for rural savings account), remunerated based on the TR + 6.17% p.a. or TR + 70% of Selic Target;
- d) additional requirements: due on the sum of time deposits (11%) and of savings deposits (10%), remunerated by the Selic rate;
- e) 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 variation in the balance of deposits received from financial institutions is associated with the fluctuation in the amounts subject to collection and with the changes in the rules for the main compulsory reserve requirements verified in the period.

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 2014, the compulsory reserve requirements on demand deposits presented a reduction of R\$2,782,547 (reduction of R\$479,358 in 2013).

## 18 - ACCOUNTS PAYABLE

	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b>
<b>In Foreign Currencies</b>	<b>11,109,971</b>	<b>10,416,377</b>
SDR allocations	11,109,971	10,416,377
<b>In Local Currency</b>	<b>940,652</b>	<b>876,655</b>
Court-ordered debts payable	706,095	647,656
Other	234,557	228,999
<b>Total</b>	<b>12,050,623</b>	<b>11,293,032</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 foreign exchange variation 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 28 of Law 13,080, of January 2nd, 2015 (Budget Guidelines Law – LDO 2015), 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, 2014, refers to the court-ordered debts to be paid in 2015 and the following years.

## 19 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>In Foreign Currencies</b>	<b>14,249,810</b>	<b>12,164,179</b>
Inter-American Development Bank	210,936	179,848
International Bank for Reconstruction and Development	25,381	21,477
International Monetary Fund	14,012,672	11,962,035
Other	821	819
<b>In Local Currency</b>	<b>9,168</b>	<b>7,640</b>
Financial Fund for the Development of River Plate Basin	9,168	7,640
<b>Total</b>	<b>14,258,978</b>	<b>12,171,819</b>

The deposits received from international financial organizations mainly consist of demand deposits that the IMF maintains in Brazil. Other international organizations maintain deposit accounts with the BCB to meet their administrative expenses.

In 2009, Brazil was included in the Financial Transactions Plan (FTP), an instrument through which the IMF utilizes a portion of the resources generated by the payment of the quotas of member countries to provide financing to other member countries. This inclusion implies that Brazil converts part of its quota in Reais into freely convertible currencies (U.S. Dollar, Euro, Pound Sterling or Yen), to the extent that the Fund uses the resources of the Brazilian quota in financing other countries.

The variation in the balance of IMF deposits refers mainly to the depreciation of the Real against the SDR in the period (Note 3.3). Furthermore, since the financing to other member countries has ended, resources that had been previously converted into U.S. Dollars, in the ambit of the FTP, were converted into Reais and recognized in this account.

## 20 - PROVISIONS

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
Litigation	4,139,084	3,963,437
Actuarial liability	25,279,526	23,502,577
Amounts returned	3	2
<b>Total</b>	<b>29,418,613</b>	<b>27,466,016</b>

### 20.1. Provisions for litigation

At December 31, 2014, the BCB was a party to 10,266 lawsuits (3,167 as the plaintiff, 7,089 as the defendant and 10 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, 2013, the total was 9,421, being 3,200 as the plaintiff, 6,212 as the defendant and 9 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, 2014, provisions were recorded for 945 lawsuits (1,003 in 2013). The following table presents the changes in the provisions during the year:

	<u>2014</u>	<u>2013</u>
<b>Opening balance</b>	<b>3,963,437</b>	<b>3,775,604</b>
<b>Changes</b>	<b><u>175,647</u></b>	<b><u>187,833</u></b>
(+) Formation	213,975	285,424
(-) Reversal	(21,065)	(72,219)
(-) Transfer to court-ordered debts	(16,452)	(24,149)
(-) Write-off due to payment of requisition of small sum	(811)	(1,223)
<b>Closing balance</b>	<b>4,139,084</b>	<b>3,963,437</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, 2014, there were 897 such lawsuits (875 in 2013), totaling R\$68,668,247 (R\$66,016,103 in 2013).

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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>2014</b>	-	558,975
<b>2015</b>	2,766,675	2,618,899
<b>2016</b>	499,408	216,552
<b>2017</b>	416,607	385,004
<b>2018</b>	171,492	148,638
<b>2019</b>	1,673	1,662
<b>2020</b>	110,636	26,259
<b>2021</b>	15,701	6,203
<b>2022</b>	1,592	1,086
<b>2023</b>	572	90
<b>2024</b>	2,532	-
<b>2025</b>	152,185	69
<b>2026</b>	11	-
<b>Total</b>	<b>4,139,084</b>	<b>3,963,437</b>

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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
Special systems	1,512,349	1,447,944
Labor lawsuits	1,436,465	1,385,268
Economic plans	559,360	536,232
Contractual relationships	395,529	375,519
Other	235,381	218,474
<b>Total</b>	<b>4,139,084</b>	<b>3,963,437</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. A summary of the existing plans and the main assumptions for the actuarial calculations are presented below:

### **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, make contributions 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.

It is important to clarify that, in compliance with Law 12,618, of 2012, the BCB also sponsors a defined contribution plan, administered by 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 (Note 3.7.2). 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 2014, the BCB made contributions amounting to R\$747 to Funpresp-Exe (no contributions were made in 2013).

### 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 participation by the employees in the expenses incurred, in accordance with the regulations.

The contributions are made to the 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, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations	2,153,041	21,695,321	3,651,581	2,384,265	20,129,908	3,448,509
(-) Fair value of plan assets	(5,342,798)	-	(67,376)	(5,539,877)	-	(75,840)
Net actuarial liabilities (assets)	(3,189,757)	21,695,321	3,584,205	(3,155,612)	20,129,908	3,372,669
Unrecognized assets	1,893,479	-	-	1,904,604	-	-
Actuarial liabilities (assets) recognized in the balance sheet	(1,296,278)	21,695,321	3,584,205	(1,251,008)	20,129,908	3,372,669

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, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations at the beginning of the year	2,384,265	20,129,908	3,448,509	3,221,072	21,922,281	3,271,456
(+) Current service cost	-	173,047	99,357	-	167,060	168,346
(+) Interest cost on liabilities	254,374	2,061,302	352,936	257,094	1,837,347	274,272
(-) Benefits paid	(320,167)	(1,210,503)	(215,617)	(308,680)	(1,098,417)	(188,923)
(+) Participants contributions	-	-	83,789	-	-	78,048
(+/-) Actuarial losses (gains)	(165,431)	541,567	(117,393)	(785,221)	(2,698,363)	(154,690)
(=) Present value of actuarial obligations at the end of the year	2,153,041	21,695,321	3,651,581	2,384,265	20,129,908	3,448,509

Plan assets - Reconciliation	Dec 31, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Fair value of the plan assets at the beginning of the year	5,539,877	-	75,840	5,430,476	-	74,003
(-) Benefits paid	(320,167)	(1,210,503)	(215,617)	(308,680)	(1,098,417)	(188,923)
(+) Participants contributions	-	-	83,789	-	-	78,048
(+) Sponsor contributions	-	-	122,239	-	-	112,808
(+) Interest cost on investments	561,409	-	8,896	425,320	-	6,904
(+) Transfer from the National Treasury	-	1,210,503	-	-	1,098,417	-
(+/-) Return on assets not included in the net interest	(438,321)	-	(7,771)	(7,239)	-	(7,000)
Fair value of the plan assets at the end of the year	5,342,798	-	67,376	5,539,877	-	75,840

Plan assets - Percentage distribution	Dec 31, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Quoted in an active market</b>	<b>95.0%</b>	-	<b>81.3%</b>	<b>95.8%</b>	-	<b>83.6%</b>
Federal Government Securities	71.1%	-	81.3%	62.6%	-	83.6%
Investments in Equity Instruments	17.8%	-	-	29.6%	-	-
Investment in Fixed Income Funds	6.1%	-	-	3.6%	-	-
<b>Not quoted in an active market</b>	<b>5.0%</b>	-	<b>18.7%</b>	<b>4.2%</b>	-	<b>16.4%</b>
Real Estate Investments	1.9%	-	-	2.0%	-	-
Other	3.1%	-	18.7%	2.2%	-	16.4%
<b>Total</b>	<b>100.0%</b>	-	<b>100.0%</b>	<b>100.0%</b>	-	<b>100.0%</b>

Income and expenses recognized in the Income Statement for the year	Dec 31, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Other expenses</b>						
Current service cost	-	173,047	99,357	-	167,060	168,346
<b>Interest expenses (income)</b>						
Interest cost	(307,035)	2,061,302	344,040	(168,226)	1,837,347	267,368

Remeasurements of defined benefit plans recognized in Equity	Dec 31, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Opening balance</b>	<b>(3,737,984)</b>	<b>(7,456,413)</b>	<b>(2,150,523)</b>	<b>(4,138,132)</b>	<b>(10,154,776)</b>	<b>(2,298,213)</b>
Actuarial gains (losses)	176,556	(541,567)	117,393	407,387	2,698,363	154,690
Adjustments arising from the return on assets not included in the net interest	(438,321)	-	(7,771)	(7,239)	-	(7,000)
<b>Closing 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 assumptions	Dec 31, 2014			Dec 31, 2013		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
<b>Financial</b>						
Discount rate	10.37%	10.49%	10.53%	9.73%	10.15%	10.31%
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	-	1.41%	-	-	1.80%	-
Trend rate for medical costs	-	-	10.80%	-	-	10.90%
<b>Non-financial</b>						
Number of active employees	-	4,078	4,023	-	4,085	4,274
Number of retired employees	694	4,993	4,680	728	4,820	4,198
Number of pensioners	681	578	1,108	692	547	941
Average past service (in years)	-	15.2	-	-	15.9	-
Average expected future service (in years)	-	16.2	-	-	16.9	-
Average age of active employees	-	46	48	-	46	47
Average age of retired employees	82	65	67	81	64	66
Average age of pensioners	78	53	66	84	52	65
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
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

### 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	(268,486)	351,117
RJU	(4,328,224)	6,639,899
Faspe	(1,103,374)	2,048,538

To determine the salary growth rate, the BCB considered the variation of the salary mass of its active employees between 2013 and 2014. 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\$554,216, whereas a decrease in the same percentage would reduce the liability by R\$500,855.

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	229,830	(138,514)
Liability	1,149,231	(1,167,425)

**f) Other information**

- The BCB estimates that the payment of its contributions to Faspe in 2015 will be R\$104,755.
- Estimate of payment of benefits for the next 10 years:

	Centrus	RJU	Faspe	Consolidated
2015	279,634	1,332,767	104,430	1,716,831
2016	263,033	1,272,756	112,657	1,648,446
2017	247,185	1,211,036	121,656	1,579,877
2018	231,595	1,150,706	131,470	1,513,771
2019	212,463	1,094,024	141,844	1,448,331
2020 - 2024	716,612	4,801,437	907,407	6,425,456

- Weighted average duration of actuarial liabilities:

	Centrus	RJU	Faspe
Weighted average duration of actuarial liabilities (in years)	6.56	11.57	18.95

• Past information:

	2014	2013	2012	2011	2010
<b>Centrus</b>					
Present value of the liabilities	2,153,041	2,384,265	3,221,072	2,536,665	2,303,023
Fair value of the assets	5,342,798	5,539,877	5,430,476	5,493,976	6,579,520
Surplus of the plan	(3,189,757)	(3,155,612)	(2,209,404)	(2,957,311)	(4,276,497)
Adjusted experience resulting from the plan's liabilities	(57,028)	(352,644)	122,856	253,446	(180,061)
Adjusted experience resulting from the plan's assets	438,321	7,238	338,874	2,140,486	(375,185)
<b>RJU</b>					
Present value of the liabilities	21,695,321	20,129,908	21,922,281	17,098,943	16,847,922
Deficit of the plan	21,695,321	20,129,908	21,922,281	17,098,943	16,847,922
Adjusted experience resulting from the plan's liabilities	(2,279,917)	1,989,603	1,619,688	(846,955)	(327,340)
Adjusted experience resulting from the plan's assets	-	-	-	(887,291)	16,486
<b>Faspe</b>					
Present value of the liabilities	3,651,581	3,448,509	3,271,456	2,350,784	704,109
Fair value of the assets	67,376	75,840	74,003	73,795	82,909
Deficit of the plan	3,584,205	3,372,669	3,197,453	2,276,989	621,200
Adjusted experience resulting from the plan's liabilities	164,356	1,649,635	83,109	1,458,807	303,231
Adjusted experience resulting from the plan's assets	7,771	7,000	7,511	34,884	(1,515)

**21 - 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 distribution of notes and coins in circulation, per denomination, is presented below:

	Dec 31, 2014		Dec 31, 2013	
	Quantity	Amount	Quantity	Amount
<b>Notes</b>	<b><u>6,292,886,101</u></b>	<b><u>215,163,302</u></b>	<b><u>5,996,588,965</u></b>	<b><u>198,693,066</u></b>
R\$1.00	149,012,190	149,012	149,374,268	149,374
R\$2.00	1,104,642,766	2,209,286	1,038,397,259	2,076,795
R\$5.00	588,548,651	2,942,743	547,911,825	2,739,559
R\$10.00	718,913,075	7,189,131	730,799,410	7,307,994
R\$20.00	790,974,608	15,819,492	816,101,461	16,322,029
R\$50.00	2,144,516,872	107,225,844	2,026,063,189	101,303,160
R\$100.00	796,277,939	79,627,794	687,941,553	68,794,155
<b>Coins</b>	<b><u>23,144,049,846</u></b>	<b><u>5,688,746</u></b>	<b><u>22,107,896,252</u></b>	<b><u>5,358,272</u></b>
R\$0.01	3,190,971,780	31,910	3,190,983,899	31,910
R\$0.05	5,726,518,374	286,326	5,413,482,632	270,674
R\$0.10	6,195,912,044	619,591	5,939,906,838	593,991
R\$0.25	2,698,715,180	674,679	2,564,655,369	641,164
R\$0.50	2,511,384,382	1,255,692	2,356,668,670	1,178,334
R\$1.00	2,820,548,086	2,820,548	2,642,198,844	2,642,199
<b>Commemorative</b>	-	<b>1,658</b>	-	<b>1,082</b>
<b>Total</b>	<b><u>220,853,706</u></b>	<b><u>204,052,420</u></b>		

At December 31, 2014, the Currency in Circulation presented an increase of 8.2% when compared to 2013, which can be associated mainly with the growth of the nominal Gross Domestic Product (GDP) and with the deacceleration in the expansion of credit transactions.

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

	<b>2014</b>	<b>2013</b>
<b>Opening balance</b>	<b>204,052,420</b>	<b>187,434,736</b>
<b>Changes</b>	<b>16,801,286</b>	<b>16,617,684</b>
(+) Issuance	273,397,482	271,476,070
(-) Payment	(256,596,196)	(254,858,386)
<b>Closing balance</b>	<b>220,853,706</b>	<b>204,052,420</b>

As regards the administrative expenses of currency in circulation, the amounts in 2013 and 2014, recorded in Other Expenses, are as follows:

	<b>2014</b>	<b>2013</b>
Acquisition of notes and coins	349,718	1,233,843
Storage and safekeeping of notes and coins	79,437	72,500
Distribution of notes and coins	42,110	66,113
Selection of notes and coins	12,025	12,895
Destruction of notes and coins	1,287	1,362
Disclosure and researches of matters related to Currency in Circulation	182	11,947
Royalties from the sale of commemorative coins	1,579	-
Other	22	37
<b>Total expenses with Currency in Circulation</b>	<b>486,360</b>	<b>1,398,697</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 monetary restatement up to December 31, 1995;
- results of the BCB until 1987 and incorporated into its equity, adjusted by 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 the recomposition of the portfolio, in the amount of R\$22,099,095.

### 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 reserves were constituted in 2014 (R\$5,018,186 in 2013).
- 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 life of these assets (R\$6,627 in 2014 and R\$6,285 in 2013).

### 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.

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Federal government securities</b>		
Opening balance	1,886,237	12,277,676
Fair value adjustment	-	(10,064,653)
Write-off	(215,126)	(326,786)
Closing balance	1,671,111	1,886,237
<b>Investment in International Financial Organizations</b>		
Opening balance	(1,685,878)	(3,682,266)
Fair value adjustment	1,029,084	1,996,388
Closing balance	(656,794)	(1,685,878)
<b>Remeasurements of defined benefit plans</b>		
Opening balance	(13,344,920)	(16,591,121)
Actuarial gain (loss)	(247,618)	3,260,440
Adjustments arising from the return on assets not included in the net interest	(446,092)	(14,239)
Closing balance	(14,038,630)	(13,344,920)
<b>Total</b>	<b>(13,024,313)</b>	<b>(13,144,561)</b>

The variation observed resulted from the positive fair value adjustment of investment in international financial organizations, partially offset by the adjustments arising from the return on assets not included in the net interest and by the actuarial loss recognized in the year (Note 20.2), as well as the amortization of the fair value adjustment of federal government securities (Note 29.2).

### 23 - NET INTEREST RESULT

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

	<b>2014</b>	<b>2013</b>
<b>Interest income</b>	<b>111,890,776</b>	<b>95,823,623</b>
<b>In Foreign Currencies</b>	<b>80,396</b>	<b>89,209</b>
Cash and Cash Equivalents (Note 4)	25,962	23,747
Time Deposits Placed with Financial Institutions (Note 5)	37,781	38,270
Reverse Repo (Note 7)	5,414	13,092
Loans	3,364	3,003
Other	7,875	11,097
<b>In Local Currency</b>	<b>111,810,380</b>	<b>95,734,414</b>
Securities (Note 9)	108,818,147	94,183,264
Federal Government (Note 10)	2,382,257	1,069,477
Other	609,976	481,673
<b>Interest expenses</b>	<b>(168,409,767)</b>	<b>(129,893,275)</b>
<b>In Foreign Currencies</b>	<b>(1,349,972)</b>	<b>(869,025)</b>
Repo (Note 7)	(1,340,350)	(859,277)
Loans	(8,232)	(8,100)
Other	(1,390)	(1,648)
<b>In Local Currency</b>	<b>(167,059,795)</b>	<b>(129,024,250)</b>
Deposits Received from Financial Institutions (Note 17)	(28,183,905)	(20,550,559)
Repo (Note 7)	(80,409,638)	(54,616,387)
Federal Government (Note 10)	(56,017,816)	(51,716,661)
Other	(2,448,436)	(2,140,643)
<b>Net interest result</b>	<b>(56,518,991)</b>	<b>(34,069,652)</b>

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

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

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

	<b>2014</b>	<b>2013</b>
<b>In Foreign Currencies</b>	<b>105,047,242</b>	<b>94,812,979</b>
Securities (Note 9)	103,233,556	92,691,213
Funds Under External Management (Note 6)	1,877,138	2,204,647
Other	(63,452)	(82,881)
<b>In Local Currency</b>	<b>(24,630,446)</b>	<b>(34,067,625)</b>
Derivatives (Note 8)	(24,630,437)	(34,067,625)
Other	(9)	-
<b>Total</b>	<b>80,416,796</b>	<b>60,745,354</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 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 DECISION OF MANAGEMENT**

These include interest and fair value adjustment of the receivables from institutions under extrajudicial liquidation (Note 11.2.1).

**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.

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	396,494	2,877,408
Time Deposits Placed with Financial Institutions	4,061,819	3,737,845
Repurchase operations	1,076,821	1,118,489
Receivables	317,223	544,135
Items in the Course of Collection	(1,861,557)	(596,040)
Accounts Payable	(695,034)	(1,348,214)
Deposits Received from International Financial Organizations	(896,230)	(1,566,707)
Other	18,528	(4,801)
<b>Total gains (losses) from foreign currencies</b>	<b>2,418,064</b>	<b>4,762,115</b>

The result presented arises from the depreciation of the Real against the main foreign currencies (Note 3.3).

**27 - 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 adjustment. The change in the balance in the period is attributable to the positive fair value adjustment of gold in 2014 (Note 12), whereas this fair value adjustment was negative in 2013, and due to the effects of the foreign exchange variation arising from the depreciation of the Real against the U.S. Dollar (Note 3.3).

**28 - OTHER INCOME AND EXPENSES**

	<u>2014</u>	<u>2013</u>
<b>Other Income</b>	<b><u>3,064,853</u></b>	<b><u>3,228,676</u></b>
Fines	127,378	171,156
Transfer from the National Treasury	2,566,472	2,111,960
Court-ordered debts	812	36,361
Reversal of provision for litigation	21,065	72,219
Tariffs	213,819	209,178
Other	135,307	627,802
<b>Other Expenses</b>	<b><u>(2,728,520)</u></b>	<b><u>(3,619,264)</u></b>
Personnel	(1,480,528)	(1,547,370)
Production and distribution of notes and coins	(486,360)	(1,398,697)
Provision for litigation	(213,975)	(285,424)
Depreciation	(36,083)	(35,752)
Other	(511,574)	(352,021)

## 29 - INCOME STATEMENT

### 29.1. Net income for the year

The result for the year was positive in R\$30,926,879 (R\$31,955,882 in 2013), as shown in the table below:

	<u>2014</u>	<u>2013</u>
<b>International Reserves Operations and Swaps</b>	-	-
Profitability of the international reserves	108,165,106	95,535,334
Foreign exchange derivatives - Swaps in local currency	(10,680,573)	(2,382,192)
Foreign exchange equalization of reserves and derivatives (Profitability)	(97,484,533)	(93,153,142)
<b>Other transactions in foreign currencies</b>	<b>(1,174,207)</b>	<b>2,015,349</b>
<b>Transactions in local currency</b>	<b>31,764,762</b>	<b>30,331,121</b>
Interest income	111,810,380	95,734,414
Interest expenses	(167,059,795)	(129,024,250)
Foreign exchange equalization (Funding cost)	83,534,669	61,467,709
Institutions under liquidation (Fair value adjustment)	3,479,508	2,153,248
<b>Other transactions in local currency</b>	<b>336,324</b>	<b>(390,588)</b>
<b>Net income for the year</b>	<b>30,926,879</b>	<b>31,955,882</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 liquidation also contributed to the result.

The result for the first half (R\$5,271,503) was transferred to the National Treasury in September 2014. The result for the second half (R\$25,655,376) 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 in the income statement during the remaining life of the reclassified securities.

### 30 - FINANCIAL INSTRUMENTS – BY CATEGORY

#### 30.1. In foreign currencies

	Dec 31, 2014		Dec 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,002,040,330</b>	<b>1,002,040,330</b>	<b>894,586,926</b>	<b>894,586,926</b>
Loans and receivables	92,511,681	92,511,681	100,563,275	100,563,275
Available-for-sale	16,451,014	16,451,014	15,421,930	15,421,930
At fair value through profit or loss	893,077,635	893,077,635	778,601,721	778,601,721
<b>Financial liabilities</b>	<b>26,155,897</b>	<b>26,155,897</b>	<b>30,501,083</b>	<b>30,501,083</b>
Other liabilities	26,155,235	26,155,235	30,500,775	30,500,775
At fair value through profit or loss	662	662	308	308

#### 30.2. In local currency

	Dec 31, 2014		Dec 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>1,145,950,335</b>	<b>1,137,282,010</b>	<b>1,004,938,427</b>	<b>990,749,037</b>
Held-to-maturity	1,113,234,371	1,104,566,046	953,068,070	938,878,680
Loans and receivables	2,595,063	2,595,063	25,880,088	25,880,088
At fair value through profit or loss	30,120,901	30,120,901	25,990,269	25,990,269
<b>Financial liabilities</b>	<b>1,861,892,135</b>	<b>1,861,892,135</b>	<b>1,627,070,009</b>	<b>1,627,070,009</b>
Other liabilities	1,861,892,135	1,861,892,135	1,625,990,782	1,625,990,782
At fair value through profit or loss	-	-	1,079,227	1,079,227

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 asset or liability, directly or indirectly, including: (i) quotations of prices of similar financial instruments, traded in an active market; (ii) quotations of the prices of identical or similar financial instruments, traded on a market with little activity; and (iii) other relevant data observable for the financial instrument;
- Level 3 – non-observable data for the financial instrument, used in the measurement of financial assets or financial liabilities for which there are no observable data available or when there is little or no market activity on the valuation date.



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

**At Dec 31, 2014**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<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

**At Dec 31, 2013**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets in Foreign Currencies</b>	<b>778,726,881</b>	<b>15,296,770</b>	<b>-</b>	<b>794,023,651</b>
Funds under External Management	-	15,296,770	-	15,296,770
Securities	763,304,951	-	-	763,304,951
Investment in International Financial Organizations	15,421,930	-	-	15,421,930
<b>Assets in Local Currency</b>	<b>27,855</b>	<b>-</b>	<b>25,962,414</b>	<b>25,990,269</b>
Derivatives	27,855	-	-	27,855
Receivables - Institutions under Extrajudicial Liquidation	-	-	25,962,414	25,962,414
<b>Liabilities in Foreign Currencies</b>	<b>-</b>	<b>308</b>	<b>-</b>	<b>308</b>
Derivatives	-	308	-	308
<b>Liabilities in Local Currency</b>	<b>1,079,227</b>	<b>-</b>	<b>-</b>	<b>1,079,227</b>
Derivatives	1,079,227	-	-	1,079,227

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 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 liquidation at December 31, 2014:

	<u>Measurement</u>	<u>Unobservable parameters</u>	<u>Interval (weighted average)</u>
Receivables - Institutions under Extrajudicial Liquidation	Present value of cash flows	Risk premium	3% - 36% (4.13%)

The gains and losses on receivables from institutions under 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). A parallel shift of 5 percentage points above the risk premium would result in a negative impact of R\$5,414,595 in the income statement.

There were no transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy during the fiscal year 2014.

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

	<u>2014</u>	<u>2013</u>
<b>Opening balance</b>	<b>25,962,414</b>	<b>36,585,614</b>
<b>Changes</b>	<b><u>(1,437,259)</u></b>	<b><u>(10,623,200)</u></b>
Fair value adjustment	3,596,187	13,779,861
Transfer from Level 2	-	1,738,394
Write-off	(5,033,446)	(26,141,457)
Other	-	2
<b>Closing balance</b>	<b>24,525,155</b>	<b>25,962,414</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 associated liabilities. In 2013 and 2014, there were no outstanding balances at the closing of the balance sheet regarding operations of this nature involving securities in foreign currencies.

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
<b>Transferred assets and associated liabilities</b>		
Carrying amount of the securities linked to the repo	818,810,675	536,543,925
Carrying amount of the repo	809,062,682	528,733,563
<b>Associated liabilities whose right of recourse applies only to the transferred assets</b>		
Fair value of the securities linked to the repo (A)	811,753,934	528,162,795
Fair value of the repo (B)	<u>809,062,682</u>	<u>528,733,563</u>
Net position (A - B)	2,691,252	(570,768)

### 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, 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>

At Dec 31, 2013						
	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	1,267,045	(816,871)	450,174	-	-	450,174
<b>Total</b>	<b>1,267,045</b>	<b>(816,871)</b>	<b>450,174</b>	<b>-</b>	<b>-</b>	<b>450,174</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, 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>

At Dec 31, 2013						
	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	816,871	(816,871)	-	-	-	-
<b>Total</b>	<b>816,871</b>	<b>(816,871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 33.2. In local currency

The following table presents the amounts of financial assets in local currency, which were not offset, but are subject to agreements that permit the settlement on a net basis, corresponding to the repos and reverse repos involving securities (Note 7.2.). In accordance with IFRS 7, the amount of financial instruments that were not offset was limited to the net value of recognized financial liabilities. In 2014, there were no outstanding balances for these operations at the balance sheet date.

At Dec 31, 2013

	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	
Financial Assets Purchased Under Resale Agreements	5,403	-	5,403	(5,403)	-	-
<b>Total</b>	<b>5,403</b>	<b>-</b>	<b>5,403</b>	<b>(5,403)</b>	<b>-</b>	<b>-</b>

The following table presents the amounts of financial liabilities in local currency, which were not offset, but are subject to agreements that permit the settlement on a net basis, corresponding to the repos and reverse repos involving 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, 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>

At Dec 31, 2013

	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	
Derivatives	1,077,085	-	1,077,085	(1,077,085)	-	-
Financial Assets Sold Under Repurchase Agreements	528,733,563	-	528,733,563	(525,860,993)	-	2,872,570
<b>Total</b>	<b>529,810,648</b>	<b>-</b>	<b>529,810,648</b>	<b>(526,938,078)</b>	<b>-</b>	<b>2,872,570</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 and financial institutional resources.

The BCB holds two large 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 foreign investors.

When investing the international reserves, the BCB seeks to obtain liquidity, security and profitability, in keeping with this objective, using a policy of diversification of financial instruments to do so. 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 the 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 providing 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 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 level of the portfolio is a function of the composition of the portfolio and the credit quality of the counterparties. The credit risk, measured through expected default, is a function of the rating, the amount and the term of the investments.

The assessment of the credit risk of operations with international reserves managed by PGER participants follows the same aforementioned criteria. However, the selection of counterparties of the operations is based on the internal criteria of the BCB for risk assessment.

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

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

Operations 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-1 and a minimum long-term rating of Aa, except for repos and reverse repos, for which operations with counterparties belonging to groups with a minimum long-term rating equal to A is permitted.

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**

The maximum exposure per group is equivalent to the lower of US\$0.5 billion and 0.5% of the group's assets, for operations with counterparties having a minimum long-term rating of Aa, and US\$0.25 billion and 0.25% of the group's assets, for operations with counterparties having a long-term rating of A.

Operations with credit risk whose counterparties are the European Central Bank, the Banque de France, the Bank of England or 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 the operations with international reserves 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. In this case, deposits with counterparties belonging to groups classified with a rating of Aa may be contracted for a maximum of one working day and deposit operations with counterparties belonging to groups with a rating of Aaa may be contracted for a maximum of one week.

Operations with bank credit risk whose counterparties are the BIS, the European Central Bank, the Banque de France, the Bank of England 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.

The operations with international reserves 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 on 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, 2014</b>	<b>Dec 31, 2013</b>
Brazil	1,174,274,705	1,045,828,698
European Economic Community	150,359,453	141,028,509
United States	728,014,974	625,518,306
Other	95,341,533	87,149,840
<b>Total</b>	<b>2,147,990,665</b>	<b>1,899,525,353</b>

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

**At Dec 31, 2014**

	<b>Financial Institutions</b>	<b>International Organizations</b>	<b>Government Institutions</b>	<b>Other</b>	<b>Total</b>
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>

**At Dec 31, 2013**

	<b>Financial Institutions</b>	<b>International Organizations</b>	<b>Government Institutions</b>	<b>Other</b>	<b>Total</b>
Cash and Cash Equivalents	1,977,859	10,917,493	10,860,662	-	23,756,014
In foreign currencies	1,506,259	10,917,493	10,860,662	-	23,284,414
In local currency	471,600	-	-	-	471,600
Deposits	1,864,406	13,586,375	18,156,483	-	33,607,264
In foreign currencies	351,364	13,586,375	18,156,483	-	32,094,222
In local currency	1,513,042	-	-	-	1,513,042
Funds Under External Management	2,119,910	706,810	11,669,940	800,110	15,296,770
Financial Assets Purchased Under Resale Agreements	40,637,489	-	-	-	40,637,489
In foreign currencies	40,632,086	-	-	-	40,632,086
In local currency	5,403	-	-	-	5,403
Derivatives	3,200	-	-	24,655	27,855
In local currency	3,200	-	-	24,655	27,855
Securities	-	8,432,899	1,689,304,423	18,635,699	1,716,373,021
In foreign currencies	-	8,432,899	736,236,353	18,635,699	763,304,951
In local currency	-	-	953,068,070	-	953,068,070
Receivables from the Federal Government	-	-	10,971,117	-	10,971,117
Receivables	11,236,175	4,102,379	450,174	27,627,070	43,415,798
In foreign currencies	-	4,102,379	450,174	-	4,552,553
In local currency	11,236,175	-	-	27,627,070	38,863,245
Investment in International Financial Organizations	-	15,421,930	-	-	15,421,930
Other	-	-	-	18,095	18,095
In local currency	-	-	-	18,095	18,095
<b>Total Assets</b>	<b>57,839,039</b>	<b>53,167,886</b>	<b>1,741,412,799</b>	<b>47,105,629</b>	<b>1,899,525,353</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.

#### **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:

	<b>Dec 31, 2014</b>		<b>Dec 31, 2013</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Fixed rate	1,530,808,812	744,083,138	1,308,601,957	466,891,086
Floating rate	593,278,051	1,085,862,225	570,761,804	1,119,832,478
Without interest	23,903,802	58,102,669	20,161,592	70,847,528
<b>Total</b>	<b>2,147,990,665</b>	<b>1,888,048,032</b>	<b>1,899,525,353</b>	<b>1,657,571,092</b>

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



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	587,531,011	94,546,941	106,860,081	1,008,284,244	191,696,608	-	1,988,918,885
In foreign currencies	3,249,507	75,001,306	57,281,478	664,535,181	75,617,042	-	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>652,633,949</b>	<b>148,419,191</b>	<b>110,183,537</b>	<b>1,016,090,485</b>	<b>196,759,702</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	94,052,332	61,308,576	81,053,593	367,536,314	233,949,059	-	837,899,874
In foreign currencies	-	775,655	-	-	-	-	775,655
In local currency	94,052,332	60,532,921	81,053,593	367,536,314	233,949,059	-	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>1,074,987,850</b>	<b>72,418,547</b>	<b>81,053,593</b>	<b>367,536,314</b>	<b>233,949,059</b>	<b>58,102,669</b>	<b>1,888,048,032</b>
<b>Net position (A - B)</b>	<b>(422,353,901)</b>	<b>76,000,644</b>	<b>29,129,944</b>	<b>648,554,171</b>	<b>(37,189,357)</b>	<b>(34,198,868)</b>	<b>259,942,633</b>

At Dec 31, 2013	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	22,485,589	-	-	-	-	1,270,425	23,756,014
In foreign currencies	22,485,589	-	-	-	-	798,825	23,284,414
In local currency	-	-	-	-	-	471,600	471,600
Deposits	12,640,716	20,966,548	-	-	-	-	33,607,264
In foreign currencies	11,127,674	20,966,548	-	-	-	-	32,094,222
In local currency	1,513,042	-	-	-	-	-	1,513,042
Funds Under External Management	2,288,270	1,553,960	750,150	6,274,880	3,507,800	921,710	15,296,770
Financial Assets Purchased Under Resale Agreements	6,238,263	23,270,959	11,128,267	-	-	-	40,637,489
In foreign currencies	6,232,860	23,270,959	11,128,267	-	-	-	40,632,086
In local currency	5,403	-	-	-	-	-	5,403
Derivatives	-	-	-	-	-	27,855	27,855
In local currency	-	-	-	-	-	27,855	27,855
Securities	544,540,375	93,877,031	139,691,780	829,031,841	109,231,994	-	1,716,373,021
In foreign currencies	4,847,982	50,774,231	96,723,011	559,815,222	51,144,505	-	763,304,951
In local currency	539,692,393	43,102,800	42,968,769	269,216,619	58,087,489	-	953,068,070
Receivables from the Federal Government	10,970,069	-	-	-	-	1,048	10,971,117
Receivables	40,915,269	-	-	-	-	2,500,529	43,415,798
In foreign currencies	4,552,553	-	-	-	-	-	4,552,553
In local currency	36,362,716	-	-	-	-	2,500,529	38,863,245
Investment in International Financial Organizations	-	-	-	-	-	15,421,930	15,421,930
Other	-	-	-	-	-	18,095	18,095
In local currency	-	-	-	-	-	18,095	18,095
<b>Total Assets (A)</b>	<b>640,078,551</b>	<b>139,668,498</b>	<b>151,570,197</b>	<b>835,306,721</b>	<b>112,739,794</b>	<b>20,161,592</b>	<b>1,899,525,353</b>
<b>Liabilities</b>							
Items in the Course of Collection	-	-	-	-	-	7,550,969	7,550,969
In foreign currencies	-	-	-	-	-	7,538,885	7,538,885
In local currency	-	-	-	-	-	12,084	12,084
Deposits Received from Financial Institutions	310,467,171	8,850,045	-	-	-	49,779,499	369,096,715
In foreign currencies	-	-	-	-	-	1,665	1,665
In local currency	310,467,171	8,850,045	-	-	-	49,777,834	369,095,050
Financial Assets Sold Under Repurchase Agreements	481,672,085	76,324,749	11,264,032	-	-	-	569,260,866
In foreign currencies	-	375,385	-	-	-	-	375,385
In local currency	481,672,085	75,949,364	11,264,032	-	-	-	568,885,481
Derivatives	-	-	-	-	-	1,079,535	1,079,535
In foreign currencies	-	-	-	-	-	308	308
In local currency	-	-	-	-	-	1,079,227	1,079,227
Payables to the Federal Government	687,081,449	-	-	-	-	-	687,081,449
Accounts Payable	647,656	10,416,377	-	-	-	228,999	11,293,032
In foreign currencies	-	10,416,377	-	-	-	-	10,416,377
In local currency	647,656	-	-	-	-	228,999	876,655
Deposits Received from International Financial Organizations	-	-	-	-	-	12,171,819	12,171,819
In foreign currencies	-	-	-	-	-	12,164,179	12,164,179
In local currency	-	-	-	-	-	7,640	7,640
Other	-	-	-	-	-	36,707	36,707
In foreign currencies	-	-	-	-	-	4,284	4,284
In local currency	-	-	-	-	-	32,423	32,423
<b>Total Liabilities (B)</b>	<b>1,479,868,361</b>	<b>95,591,171</b>	<b>11,264,032</b>	<b>-</b>	<b>-</b>	<b>70,847,528</b>	<b>1,657,571,092</b>
<b>Net position (A - B)</b>	<b>(839,789,810)</b>	<b>44,077,327</b>	<b>140,306,165</b>	<b>835,306,721</b>	<b>112,739,794</b>	<b>(50,685,936)</b>	<b>241,954,261</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, 2014, the distribution of assets and liabilities per currency was as follows:

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>

At Dec 31, 2013	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	12,384,699	418,493	346,185	644,265	68,164	9,362,264	51,809	850	1,019	6,666	23,284,414
Time Deposits Placed with Financial Institutions	32,094,222	-	-	-	-	-	-	-	-	-	32,094,222
Funds Under External Management	9,781,374	1,490,793	862,670	1,106,591	1,058,005	-	671,875	2,564	-	322,898	15,296,770
Financial Assets Purchased Under Resale Agreements	40,375,541	119,357	-	58,079	62,811	-	-	16,298	-	-	40,632,086
Securities	590,723,719	45,626,332	46,969,995	25,278,087	21,743,693	-	15,715,274	8,363,088	8,878,429	6,334	763,304,951
Receivables	450,174	-	-	-	-	4,102,379	-	-	-	-	4,552,553
Investment in International Financial Organizations	-	-	-	-	-	15,421,930	-	-	-	-	15,421,930
<b>Total Assets (A)</b>	<b>685,809,729</b>	<b>47,654,975</b>	<b>48,178,850</b>	<b>27,087,022</b>	<b>22,932,673</b>	<b>28,886,573</b>	<b>16,438,958</b>	<b>8,382,800</b>	<b>8,879,448</b>	<b>335,898</b>	<b>894,586,926</b>
<b>Liabilities</b>											
Items in the Course of Collection	7,494,499	-	-	-	44,386	-	-	-	-	-	7,538,885
Deposits Received from Financial Institutions	1,665	-	-	-	-	-	-	-	-	-	1,665
Financial Assets Sold Under Repurchase Agreements	256,493	32,259	44,042	42,591	-	-	-	-	-	-	375,385
Derivatives	-	-	-	-	308	-	-	-	-	-	308
Accounts Payable	-	-	-	-	-	10,416,377	-	-	-	-	10,416,377
Deposits Received from International Financial Organizations	201,325	-	-	-	-	11,962,035	-	-	-	819	12,164,179
Other	4,284	-	-	-	-	-	-	-	-	-	4,284
<b>Total Liabilities (B)</b>	<b>7,958,266</b>	<b>32,259</b>	<b>44,042</b>	<b>42,591</b>	<b>44,694</b>	<b>22,378,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>819</b>	<b>30,501,083</b>
<b>Net position (A - B)</b>	<b>677,851,463</b>	<b>47,622,716</b>	<b>48,134,808</b>	<b>27,044,431</b>	<b>22,887,979</b>	<b>6,508,161</b>	<b>16,438,958</b>	<b>8,382,800</b>	<b>8,879,448</b>	<b>335,079</b>	<b>864,085,843</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 currencies 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, 2014, adjusted by the position assumed in the foreign exchange equalization:

	Dec 31, 2014	Dec 31, 2013
Net position in foreign currency	982,751,630	870,157,871
Foreign exchange equalization	(993,238,054)	(878,657,977)
<b>Exposure in foreign currency</b>	<b>(10,486,424)</b>	<b>(8,500,106)</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 8.33% positive, since the funding cost covered by the National Treasury was 9.41%, whereas the result from interest (including mark-to-market) of the international reserves transferred to the National Treasury was 1.08% 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, 2014:

	Foreign exchange rate	Foreign exchange coupon curve	Foreign currencies interest curve	ID x TR swap curve
Foreign exchange swap	(316,852,786)	(316,852,786)	-	-
International reserves	993,238,054	-	993,238,054	-
Accounts payable in foreign currencies	11,109,971	-	-	-
Receivables from institutions under liquidation	-	-	-	24,525,155

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 four 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 and the ID x TR swap curve. 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. 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
Foreign exchange swap	58,217,529	1,469,682	-	-
International reserves	(198,647,611)	-	(9,215,142)	-
Accounts payable in foreign currencies	2,221,994	-	-	-
Receivables from institutions under liquidation	-	-	-	(1,892,444)
Foreign exchange equalization	139,406,930	(1,469,682)	9,215,142	-
<b>Net impact</b>	<b>1,198,842</b>	<b>-</b>	<b>-</b>	<b>(1,892,444)</b>
on the result	4,489,045	-	-	(1,892,444)
on equity	(3,290,203)	-	-	-

### 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 may 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, 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>19,799</b>	<b>776,317</b>	<b>-</b>	<b>-</b>	<b>25,359,781</b>	<b>26,155,897</b>
<b>Net position (A - B)</b>	<b>39,047,702</b>	<b>128,097,502</b>	<b>60,604,934</b>	<b>676,362,926</b>	<b>71,771,369</b>	<b>975,884,433</b>

(\*) The Investment in International Financial Organizations and the liabilities resulting from the allocations of SDR were classified under maturity ">5 years", as they have no maturity date.

At Dec 31, 2013	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
<b>Assets</b>						
Cash and Cash Equivalents	23,284,414	-	-	-	-	23,284,414
Time Deposits Placed with Financial Institutions	11,127,674	20,966,548	-	-	-	32,094,222
Funds Under External Management	3,209,980	1,553,960	750,150	6,274,880	3,507,800	15,296,770
Financial Assets Purchased Under Resale Agreements	6,232,860	23,270,959	11,128,267	-	-	40,632,086
Securities	4,847,982	50,774,231	96,723,011	559,815,222	51,144,505	763,304,951
Receivables	450,174	-	-	4,102,379	-	4,552,553
Investment in International Financial Organizations (*)	-	-	-	-	15,421,930	15,421,930
<b>Total assets (A)</b>	<b>49,153,084</b>	<b>96,565,698</b>	<b>108,601,428</b>	<b>570,192,481</b>	<b>70,074,235</b>	<b>894,586,926</b>
<b>Liabilities</b>						
Items in the Course of Collection	7,538,885	-	-	-	-	7,538,885
Deposits Received from Financial Institutions	1,665	-	-	-	-	1,665
Financial Assets Sold Under Repurchase Agreements	-	375,385	-	-	-	375,385
Derivatives	-	308	-	-	-	308
Accounts Payable (*)	-	-	-	-	10,416,377	10,416,377
Deposits Received from International Financial Organizations	-	-	-	-	12,164,179	12,164,179
Other	4,284	-	-	-	-	4,284
<b>Total liabilities (B)</b>	<b>7,544,834</b>	<b>375,693</b>	<b>-</b>	<b>-</b>	<b>22,580,556</b>	<b>30,501,083</b>
<b>Net position (A - B)</b>	<b>41,608,250</b>	<b>96,190,005</b>	<b>108,601,428</b>	<b>570,192,481</b>	<b>47,493,679</b>	<b>864,085,843</b>

(\*) The Investment in International Financial Organizations and the liabilities resulting from the allocations of SDR were classified under maturity ">5 years", as they have no maturity 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 2014, the yield was 11.67% (10.92% in 2013).

#### **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 payment (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) Transfer from the National Treasury**

The BCB uses funds transferred by the Federal Government for the payment of part of its administrative expenses (Note 28).

### **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 2014, no court-ordered debts were paid referring to lawsuits in which the BCB was sentenced (R\$35,137 in 2013).

### **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 performed 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 December 31, 2014, no operation had been carried out.

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

	<b>2014</b>	<b>2013</b>
<b>National Treasury Operating Account (Note 10)</b>		
Opening balance	655,965,327	620,401,291
(+) remuneration	55,116,509	50,797,950
(+/-) deposits/withdrawals	(141,314,938)	(59,595,863)
(+) transfer of positive result	36,153,654	44,361,949
Closing balance	605,920,552	655,965,327
<b>Securities issued by the National Treasury (Note 9.2)</b>		
Opening balance	953,068,070	910,222,934
(+/-) net purchase (net redemption)	51,795,331	(40,946,691)
(+) remuneration	108,818,147	94,183,263
(+/-) fair value adjustment (Note 29.2)	(447,177)	(10,391,436)
Closing balance	1,113,234,371	953,068,070
<b>Result to be transferred to the National Treasury (Note 10)</b>		
Opening balance	14,270,953	15,090,442
(+) positive result to be transferred	30,933,506	26,943,981
(+) remuneration	378,548	536,241
(-) transfers	(19,924,147)	(28,299,711)
Closing balance	25,658,860	14,270,953
<b>Foreign exchange equalization</b>		
Opening balance	-	-
(+/-) adjustments	(13,949,864)	(31,685,433)
(+/-) transfers to accounts payable (receivables)	13,949,864	31,685,433
Closing balance	-	-
<b>Receivables due to foreign exchange equalization result (Note 10)</b>		
Opening balance	10,970,069	9,900,595
(+) foreign exchange equalization result	51,223,608	-
(+) remuneration	2,382,184	1,069,474
(-) amounts received	(64,575,861)	-
Closing balance	-	10,970,069
<b>Accounts payable due to foreign exchange equalization result (Note 10)</b>		
Opening balance	15,918,931	-
(-) foreign exchange equalization result	65,173,472	31,685,433
(-) remuneration	310,577	295,736
(+) payments	(16,229,508)	(16,062,238)
Closing balance	65,173,472	15,918,931
<b>Transfer under budget law (Note 28)</b>	<b>2,566,472</b>	<b>2,111,960</b>

### **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). The BCB is the sponsor of Centrus and, accordingly, there were the following transactions between the entities:



	2014	2013
<b>Actuarial Surplus (Note 15)</b>		
Opening balance	1,251,008	682,632
(+/-) remeasurements of defined benefits plans	(261,765)	400,150
(+) interest	307,035	168,226
Closing balance	1,296,278	1,251,008
<b>Receivables (Note 11.2.2.b)</b>		
Opening balance	1,538,119	1,208,301
(+) interest	81,829	166,273
(+) distribution of surplus	-	546,839
(-) amounts received	(1,065,961)	(383,294)
Closing balance	553,987	1,538,119

The principal variations arise from the receipt of the funds existing as at December 31, 2013, referring to the distribution of the surplus of the plan approved by Ordinance 192, of 2011, as well as from the receipt of the monthly installments referring to the distribution of the surplus of the plan approved by Ordinance 504, of 2013 (Note 11.2.2.b).

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

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 statutory employees of the Federal Government (Note 20.2).

The BCB, as the sponsor of the plan, made contributions in 2014 amounting to R\$747 to Funpresp-Exe (no contributions were made in 2013).

### **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 2014, the BCB purchased notes and coins in the amount of R\$349,718 (R\$1,233,843 in 2013) (Note 21).

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

Cifrão, 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 Cifrão.

### **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 2014, the Redi-BC spent R\$126,752 (R\$77,482 in 2013) to pay for the execution of projects and reimbursed the BCB the amount of R\$3,970 (R\$2,691 in 2013) 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 2014, the expenses incurred by the BCB as an ordinary contribution to Faspe totaled R\$83,789 (R\$78,049 in 2013), and the extraordinary contributions amounted to R\$38,450 (R\$34,759 in 2013).

### **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 45 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:

	<b>2014</b>	<b>2013</b>
<b>Short-term benefits</b>	<b>25,308</b>	<b>24,125</b>
Directors	3,590	3,396
Other members occupying strategic positions	21,718	20,729
<b>Total</b>	<b>25,308</b>	<b>24,125</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 2013 and 2014.

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 Banco Central, considering the revenues and expenses related to all its operations, shall be determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years”.

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

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

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

Pursuant to Clause II of Article 2 of Provisional Measure 2,179-36, of August 24, 2001, this negative result must be covered no later than the 10th working day of the year following the approval of the balance sheet by the CMN.

Accordingly:

- I - the result of the BCB considers the revenues and expenses related to all its operations;
- II - the positive results are transferred as revenues to the National Treasury and the negative results are covered as expenses of the National Treasury;
- III - these results are included in the budget in the National Treasury account.

The BCB presented a positive result of R\$12,551,363 in the third quarter and R\$13,104,013 in the fourth quarter, totaling a result of R\$25,655,376 in the second half of 2014 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 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 amounted to R\$12,511,349 in the third quarter and R\$13,453,075 in the fourth quarter, totaling R\$25,964,424 in the second 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 December 31, 2014, 92.47% of the reserve assets were composed of securities, as published in the Press Release of the External Sector (table 49), available on the BCB's website ([www.bcb.gov.br](http://www.bcb.gov.br)).

In the third quarter of 2014, the international reserves presented a positive return of 9.44%. After deducting the funding cost of the BCB, the net result of the reserves was positive by 6.25% (R\$53,814,337). In the fourth quarter, the return of the reserves was 7.46% positive, totaling 4.43% positive (R\$42,314,327) 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/2014	861,721,342	9.44	(3.19)	6.25	53,814,337
4th quarter/2014	955,364,574	7.46	(3.03)	4.43	42,314,327
<b>Total for the half year</b>					<b>96,128,664</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, in the third quarter of 2014, the international reserves presented a positive return of 0.01%, which was composed by accrued interest (0.19%) and the negative mark-to-market adjustment of the assets (0.18%). After deducting the funding cost, the net result of the reserves was negative by 3.18% (R\$27,414,542). In the fourth quarter, the profitability of the reserves was positive by 0.33% (0.18% through the accrual of interest and 0.15% by the positive mark-to-market adjustment of the assets), totaling 2.70% negative (R\$25,770,384) when considering the funding cost.

	International Reserves		Funding Cost (%)	Cost of Maintaining International Reserves	
	Average Balance	Profitability, excluding		Cost	International Reserves
	(R\$ thousand)	foreign exchange variation (%)			
3rd quarter/2014	861,721,342	0.01	(3.19)	(3.18)	(27,414,542)
4th quarter/2014	955,364,574	0.33	(3.03)	(2.70)	(25,770,384)
<b>Total for the half year</b>					<b>(53,184,926)</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\$24,870,633 in the third quarter and R\$29,158,393 in the fourth quarter, totaling R\$54,029,026 in the second 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 and 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**  
**Financial statements at**  
**December 31, 2014**  
**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, 2014 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) issued by the International Accounting Standards Board (IASB), 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, 2014, and its financial performance and cash flows in foreign currency for the year then ended, in accordance with the International Financial Reporting Standards (IFRS).

### **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 International Financial Reporting Standards (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 11, 2015

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers", is written over the printed name.

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

A handwritten signature in blue ink, appearing to read "Geovani da Silveira Fagunde", is written over the printed name.

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