BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

December 31, 2010

BANCO CENTRAL DO BRASIL
BALANCE SHEET (as at December 31, 2010)
In thousands of Reais

ASSETS	Notes	Dec 31, 2010	Dec 31, 2009
ASSETS IN FOREIGN CURRENCIES		**496,109,813**	**429,635,304**
Cash and Cash Equivalents	**4**	13,865,931	13,864,571
Time Deposits Placed with Financial Institutions	**5**	49,029,936	12,426,729
Financial Assets Purchased Under Resell Agreement	**6**	8,383,977	6,048,730
Derivatives	**7**	23,226	68,364
Debt Securities	**8**	412,773,953	385,906,479
Credits Receivables	**10**	1,649,397	951,839
Gold	**11**	2,529,661	2,045,440
Investments in International Financial Organizations	**12**	7,852,633	8,323,152
Other	**14**	1,099	-
ASSETS IN LOCAL CURRENCY		**794,189,768**	**727,960,902**
Cash and Cash Equivalents	**4**	-	31
Deposits	**5**	616,462	612,245
Debt Securities	**8**	703,175,643	640,215,918
Receivables from the Federal Government	**9**	48,634,152	53,932,939
Credits Receivables	**10**	39,073,828	28,964,668
Property, Plant and Equipment	**13**	767,478	780,498
Other	**14**	1,922,205	3,454,603
TOTAL		**1,290,299,581**	**1,157,596,206**

LIABILITIES	Notes	Dec 31, 2010	Dec 31, 2009
LIABILITIES IN FOREIGN CURRENCIES		**22,594,750**	**21,352,204**
Items in the Course of Collection	**15**	459,426	391,691
Deposits Received from Financial Institutions	**16**	1,185	470
Financial Assets Sold Under Repurchase Agreement	**6**	8,392,305	6,048,448
Derivatives	**7**	17,119	63,055
Accounts Paybale	**17**	7,592,285	8,121,885
Deposit Received from International Financial Organiza	**18**	6,132,430	6,725,871
Other		-	784
LIABILITIES IN LOCAL CURRENCY		**1,100,600,826**	**984,284,167**
Items in the Course of Collection	**15**	525,721	247,446
Deposits Received from Financial Institutions	**16**	379,441,614	97,077,510
Financial Assets Sold Under Repurchase Agreement	**6**	288,665,899	454,709,678
Payables to the Federal Government	**9**	410,521,771	413,807,893
Accounts Paybale	**17**	1,248,578	1,211,601
Deposit Received from International Financial Organiza	**18**	941	566
Provision	**21**	20,166,047	17,206,482
Other		30,255	22,991
CURRENCY IN CIRCULATION	**22**	**151,145,368**	**131,861,185**
NET EQUITY	**23**	**15,958,637**	**20,098,650**
Capital		24,675,451	24,675,451
Income Reserve		1,606,019	1,606,019
Revaluation Reserve		460,155	466,440
Gains (Losses) Recognized Directly in Equity		(10,782,988)	(6,649,260)
TOTAL		**1,290,299,581**	**1,157,596,206**

(The Explanatory Notes are an integral part of the Financial Statements)

INCOME STATEMENT - 2010

In thousands of Reais

	Notes	2010	2009
Interest income		74,023,722	58,027,077
Interest expenses		(94,395,060)	(84,464,030)
(=) Net interest income	**24**	(20,371,338)	(26,436,953)
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - held for trading	**25**	38,209,915	36,121,024
Gains (losses) on financial assets classified as 'At fair value through profit or loss' - designated by management	**26**	1,746,633	1,422,929
Gains (losses) on foreign exchange	**27**	(2,842,083)	(4,865,942)
Other income	**28**	1,922,129	2,035,058
Other expenses	**28**	(2,935,286)	(2,667,072)
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**29.1**	**15,729,970**	**5,609,044**

(The Explanatory Notes are an integral part of the Financial Statements)

STATEMENT OF COMPREHENSIVE INCOME - 2010
In thousands of Reais

	Notes	2010	2009
INCOME STATEMENT FOR THE YEAR	**29.1**	**15,729,970**	**5,609,044**
Available-for-sale Assets		**(868,817)**	**(2,416,427)**
Gains (Losses) recognized in Equity		(674,448)	(2,040,943)
(Gains) Losses transferred to Income		(194,369)	(375,484)
Actuarial Gains (Losses) of Defined Benefit Plans		**(3,264,911)**	**(3,309,272)**
Other		**-**	**(6,285)**
NET COMPREHENSIVE INCOME FOR THE PERIOD	**29.2**	**11,596,242**	**(122,940)**

(The Explanatory Notes are an integral part of the Financial Statements)

CHANGES IN EQUITY - 2010
In thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CAPITAL	NET EQUITY
Balance as at December 31, 2009		**1,606,019**	**466,440**	**(6,649,260)**	**24,675,451**	**20,098,650**
Realization of Revaluation Reserves		-	(6,285)	-	6,285	-
Gains (Losses) recognized in Equity	**23.3**	-	-	(4,133,728)	-	(4,133,728)
Net income (loss) 1st semester		-	-	-	10,803,195	10,803,195
Net income (loss) 2nd semester		-	-	-	4,926,775	4,926,775
Net income (loss) for the year	**29.1**	-	-	-	15,729,970	15,729,970
Result to be transferred to the National Treasury - 1st semester		-	-	-	(10,806,337)	(10,806,337)
Result to be transferred to the National Treasury - 2nd semester		-	-	-	(4,929,918)	(4,929,918)
Balance as at December 31, 2010		**1,606,019**	**460,155**	**(10,782,988)**	**24,675,451**	**15,958,637**
Balance as at December 31, 2008		**1,606,019**	**472,725**	**(923,561)**	**13,072,428**	**14,227,611**
Capital increase		-	-	-	11,603,023	11,603,023
Realization of Revaluation Reserves		-	(6,285)	-	6,285	-
Gains (Losses) recognized in Equity		-	-	(5,725,699)	-	(5,725,699)
Net income (loss) 1st semester		-	-	-	(941,601)	(941,601)
Net income (loss) 2nd semester		-	-	-	6,550,645	6,550,645
Net income (loss) for the year		-	-	-	5,609,044	5,609,044
Result to be covered by the National Treasury - 1st semester		-	-	-	938,458	938,458
Result to be transferred to the National Treasury - 2nd semester		-	-	-	(6,553,787)	(6,553,787)
Balance as at December 31, 2009		**1,606,019**	**466,440**	**(6,649,260)**	**24,675,451**	**20,098,650**

(The Explanatory Notes are an integral part of the Financial Statements)

CASH FLOW STATEMENT - 2010

In thousands of Reais

	Notes	2010	2009
NET CASH FLOW FROM OPERATING ACTIVITIES		**579,773**	**5,098,256**
Interest received		7,614,639	10,676,382
(Purchase) sales of securities		(44,703,392)	(56,740,538)
Purchases (sales) of foreign currencies		70,024,292	40,925,038
Commitments under agreements contracted (liquidated)		(238,475)	(4,855,755)
(Placement) receipts of time deposits		(39,634,640)	(9,208,466)
Redemption of deposits received		2,574,026	434,459
(Payments) receipts on behalf of the National Treasury		2,342,306	3,299,063
(Granting) redemptions of credits receivable		2,099,850	20,956,217
Other payments / receipts		501,167	(388,144)
NET CASH FLOW FROM FINANCING ACTIVITIES		**-**	**7,347,204**
Financing contracting (repayment)	**10.1**	-	7,347,204
NET CASH FLOW		**579,773**	**12,445,460**
CHANGE IN CASH AND CASH EQUIVALENTS		**579,773**	**12,445,460**
Cash and cash equivalents at the beginning of the period		13,864,571	5,298,870
Cash and cash equivalents at the end of the period	**30**	13,865,931	13,864,571
Effect of exchange rate changes on cash and cash equivalents		(578,413)	(3,879,759)

(The Explanatory Notes are an integral part of the Financial Statements)

1 - BANCO CENTRAL DO BRASIL AND ITS ATTRIBUTIONS

Banco Central do Brasil (the "Bank"), established on December 31, 1964 with the enactment of the Law 4,595, is an autonomous federal institution that forms part of the National Financial System. The Bank's mission is to ensure the stability of the Brazilian currency purchasing power and the soundness of the National Financial System. The Bank's head office is located in Brasilia, DF, at Setor Bancário Sul – Quadra 3, Bloco B, and it has offices in nine other units of the federation.

As determined by Law 4,595/1964, the National Monetary Council (CMN) authorized the publication of these financial statements on February 24, 2011. The financial statements are available at the Bank's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The financial statements of the Bank as at December 31, 2010 have been prepared in accordance with the International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB.

The International Financial Reporting Standards Board – IASB issued IFRS 9 – Financial Instruments, whose application is mandatory for annual periods beginning on or after January 1st, 2013. Although earlier application is permitted, the Bank's management decided not to do so, on the grounds that:

a) the replacement of IAS 39 – Financial Instruments – Recognition and Measurement will occur in three phases, as follows:

   - Phase 1: classification and measurement;

   - Phase 2: impairment; and

   - Phase 3: hedge accounting.

b) just the first of the three phases has been concluded, being the other phases expected to be concluded by the IASB during the course of 2011; and

c) the partial review of the accounting for financial instruments could bring some grade of distortion to the Bank's financial statements.

In view of that and also due to the fact that financial instruments are virtually the totality of the assets and liabilities held by the institution, it is not possible to predict a transition date for the adoption of IFRS 9, let alone to assess the effects stemming from the adoption.

3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent a summary of the most significant accounting principles used by the Bank, which have been consistently applied to the comparative financial information.

3.1 Determination of profit and loss

The Bank's profit and loss is determined semi-annually on an accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of a net loss (notes 29.1 and 37.a).

3.2 Recognition of interest income and expenses

Interest income and expenses are recognized using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts of a financial asset or a financial liability, over the expected life of the financial instrument, to its net carrying amount. Calculation of the effective interest rate considers all relevant amounts whether paid or received between the parties involved, such as fees and commissions, and also includes discounts and premiums.

Interest income and expenses presented in the Income Statement include interest income and expenses on all of the Bank's financial assets and liabilities that are not classified as "at fair value through profit or loss".

3.3 Assets and liabilities denominated in foreign currencies

The functional and reporting currency of the Bank's financial statements is the Real. Foreign currency transactions are translated into the Real at the foreign exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are monthly translated to the Real using month-end foreign exchange rates, with the resulting gains or losses from foreign exchange rate variations recognized in the Income Statement. The following table presents the foreign exchange rates used on the financial statements' dates:

	Dec 31, 2010	Dec 31, 2009
Dollar	1.6658	1.7408
Euro	2.2273	2.5066
Canadian Dollar	1.6694	1.6579
Pound Sterling	2.5868	2.8232
Australian Dollar	1.6953	1.5657
SDR	2.5654	2.7191
Gold (fine troy ounces)	2,355.7744	1,893.1200

The foreign exchange rates used are those freely established by the market agents and published by the Bank, with the exception of the Gold exchange rate. In this case, the rate used is the London Stock Exchange's PM Fixing, which is converted into Real via the dollar exchange rate used at the financial statements dates. These foreign exchange rates are based on the average effective rates of the transactions in the interbank market, weighted by the volume of transactions. The transactions carried out at rates that are the most distant from the market average (outliers) and the transactions showing artificial price formation or that are contrary to the regular market practice are excluded from the calculations.

The Special Drawing Right ("SDR") is an accounting unit used by the International Monetary Fund (IMF), whose rate is based on a basket of currencies freely used in international transactions (currently consisting of the Euro (EUR), the Japanese yen (JPY), the pound sterling (GBP), and the United States dollar (USD)).

3.4 Financial assets and liabilities

3.4.1 Recognition

Financial assets and liabilities are recognized at their fair values on the respective trade date, i.e. on the date the entity undertakes to the sale or purchase of the instrument. For those instruments that are not classified as "at fair value through profit or loss", this amount includes all the costs incurred in the transaction.

3.4.2 Derecognition

Financial assets are derecognized when they are effectively settled, when there is no expectation of realization or in the event of loss of the right of realization.

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

The Bank engages in transactions in which it transfers its financial assets to other parties, however, it holds the control of such assets by means of retaining the risks and the rights to the income and expenses generated. Consequently, these assets are not derecognized. The main transactions with these characteristics are repurchase agreements and securities lending operations.

3.4.3 Offsetting of assets and liabilities

Financial assets and liabilities are offset in the balance sheet and shown at their net values

when there are both the intention and a legally enforceable right to settle the recognized amounts on a net basis.

3.4.4 Classification of financial instruments

When financial assets are acquired, they are classified into one of the following categories: Financial assets "at fair value through profit or loss", "available for sale", "held-to-maturity" or "loans and receivables". After the initial recognition, financial assets are measured in accordance with the classification, as follows:

a) Financial assets at fair value through profit or loss

A financial instrument is classified in this category, with gains and losses resulting from mark-to-market adjustments recorded in the income statement, in the following situations:

- if there is a management's intention to trade the financial asset in the near-term;
- if the financial instrument is a derivative;
- when so designated by the management due to the fact that this classification results in more relevant information, and provided that the financial assets are part of a portfolio evaluated and managed on a fair value basis;

b) Held-to-maturity

This category includes non-derivative financial assets for which the entity has the intent and ability to hold until maturity. These assets are carried at amortized cost and the related 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 assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost and the related interest, calculated using the effective interest rate, recognized in the income statement on an accrual basis;

d) Available for sale

This category includes non-derivative financial assets that are not classified into other categories, since the management does not have a specific intention with regard to either maintaining or disposing of the financial asset. These assets are measured at their fair values, with gains and losses recognized in equity. Once gains and losses are effectively realized, they are recognized in the income statement. However, the interest on these assets, which is calculated using the effective interest rate, is recognized in the income statement on an accrual basis.

3.4.5 Measurement

Fair value is the market value published by primary depository trust companies (custodians) or economic information providers. For financial instruments with no active market, fair value is calculated using pricing models, which include the prices of the most recent trades, discounted cash flows and the fair value of similar financial instruments. The pricing models used are certified by a multi-departmental committee, which also suggests improvements and new methodologies.

Amortized cost is the book value on the recognition date, adjusted by the accrued interest based on the contractual interest rate using the effective interest rate method, less any contingent amortizations and any impairment losses recognized.

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

Assets in Foreign Currencies	Category	Measurement Basis / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Time Deposits at Financial Institutions	Loans and Receivables	Amortized Cost
Time Deposits at Financial Institutions - Outsourced Administration	At Fair Value through Profit or Loss	Fair Value - Manager
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Debt Securities	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Credits Receivable	Loans and Receivables	Amortized Cost
Gold	Available-for-sale	Fair Value - PM fixing - London Stock Exchange
Investment in International Financial Organizations	Available-for-sale	Fair Value - Redemption value in Reais

Assets in Local Currency	Category	Measurement Basis / Source of Information
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Deposits	Loans and Receivables	Amortized Cost
Financial Assets Purchased Under Agreements to Resell	Loans and Receivables	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&F Bovespa Exchange
Federal Government Debt Securities - LTN	Available-for-sale	Fair value - Ambima
Federal Government Debt Securities - except LTN	Held-to-maturity	Amortized Cost
Receivables from the Federal Government	Loans and Receivables	Amortized Cost
Credits Receivable - Financial Institutions under Extrajudicial Liquidation	At Fair Value through Profit or Loss	Fair Value - Fair value of the guarantees
Credits Receivable - Other	Loans and Receivables	Amortized Cost

Liabilities in Foreign Currencies	Category	Measurement Basis / Source of Information
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreements to Repurchase	Other liabilities	Amortized Cost
Derivatives - Futures	At Fair Value through Profit or Loss	Fair Value - Stock Markets
Derivatives - Forward	At Fair Value through Profit or Loss	Fair Value - Bloomberg
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

Liabilities in Local Currency	Category	Measurement Basis / Source of Information
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreements to Repurchase	Other liabilities	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&F Bovespa Exchange
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

In order to verify if there is evidence of impairment of any of its financial assets, the Bank prepares, at least semi-annually, an impairment evaluation.

The Bank considers objective evidence of impairment the events occurred after the initial recognition of financial assets that have an impact on estimated future cash flows and provided that such impact may be reliably estimated. The Bank considers, among others, the following types of events:

a) financial difficulties of the issuer or obligor;

b) the occurrence of default in any payments, whether related to principal or interest;

c) renegotiations or granting of discounts;

d) extrajudicial liquidation, bankruptcy and financial reorganization;

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

Where there exists objective evidence of impairment of an asset carried at amortized cost, the amount of the impairment loss is measured as the difference, on the date of evaluation, between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The evaluation is carried out by a multi-departmental committee, which is responsible for assessing the accuracy of the values and the methodologies used.

For 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 though the loss has not been effectively realized.

In the event that an asset is considered uncollectible, it is written-off against the related allowance account. Subsequent recoveries of amounts previously written-off are recognized as gains.

If in a subsequent period the amount of a previously recognized impairment loss decreases, and the decrease relates to an objectively verifiable event occurring after the impairment was recognized, the amount of the reversal is recognized as a gain, except for equity investments, whose previously recognized impairment losses cannot be reversed.

3.4.7 Derivatives

Derivatives are recognized at fair value on their respective trade dates and are shown as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank does not apply hedge accounting as contemplated in IAS 39 – Financial Instruments: Recognition and Measurement, and thus, recognizes all gains and losses with derivatives in the Income Statement.

3.5 Property, plant and equipment

Land, buildings and equipment acquired for own use, as well as the collection of works of art and precious metals, are recorded at historical cost (or deemed cost) less accumulated depreciation, when applicable. Costs include all expenses directly attributable to the acquisition or construction of the asset. Further expenditures are capitalized only when it is probable that future economic benefits associated to the item will flow to the Bank and these benefits can be reliably estimated. Maintenance and repair expenses related to the asset are expensed as incurred.

Land, works of art and precious metals in several forms held by the Bank are not subject to depreciation. All other assets are depreciated on a straight-line basis considering the following useful lives:

a) buildings: 62.5 years

b) equipment and furniture:

- computer equipment and vehicles: 5 years

- other equipment and furniture: 10 years.

3.6 Provisions

3.6.1 Legal claims

The Bank recognizes a provision for legal claims when it is probable that an outflow of economic resources will be necessary to their settlement and a reliable estimate of the amount can be made. When it is not probable, but only possible, that an outflow of economic resources will be necessary to settle the claim, no provision is established.

3.6.2 Post-employment benefits

The Bank sponsors post-employment plans for retirement, pensions and health care benefits. All of them are in the form of defined benefits.

A defined benefit plan is a plan in which the benefit that the employee is entitled to at the moment of retirement is predetermined, based on one or more factors, such as age and period of contribution.

The provision recorded in the balance sheet is the present value of the obligations minus the fair value of the assets of the plans. Independent actuaries calculate the value of the obligations annually.

The actuarial surplus recorded in the balance sheet refers to the excess of plan assets over the plan obligations in the Centrus Plan – Fundação Banco Central de Previdência Privada, which is recognized in proportion as the expected benefits (notes 21.2 and 36.2).

3.7 Tax immunity

In accordance with the Brazilian Federal Constitution, the Bank is tax immune as regards to its results arising from the exercise of its regular activities, but is, otherwise, subject to withholding taxes from services rendered by third parties.

3.8 Cash flow statement

The main purpose of the Cash Flow Statement is to demonstrate an entity's capacity to generate cash so as to meet its liquidity needs. Since the Bank is the institution that provides liquidity to the National Financial System, having the right to issue currency into circulation, the Bank's management understands that the Statement of Cash Flows should represent only its foreign currency operations, which are outside the limits of the Bank's prerogative to issue.

For Cash Flow Statement purposes, cash and cash equivalents comprise cash in specie, demand deposits and short-term time deposits.

4 - CASH AND CASH EQUIVALENTS

It comprises the portion of the international reserves that the Bank maintains in financial institutions as demand deposits and short-term deposits, in accordance with its risk management policy, as described in notes 31 to 35. International reserves form part of the monetary assets that are available for covering balance-of-payment deficits, and in some cases, to meet other financial needs of a country's monetary authority.

5 - DEPOSITS

5.1 In foreign currencies

The item comprises the portion of the international reserves that the Bank maintains in financial institutions as fixed-term deposits, in accordance with its risk management policy, as described in notes 31 to 35.

The variation in the balance of these deposits results from the following: (i) increase in the levels of the international reserves; (ii) increase in the levels of investments, in the aftermath of the crisis, due to the lessening in the previous restrictions to investments in central banks and in the Bank for International Settlements – BIS; and (iii) settlement of the foreign currency loan operations (note 10.1) whose resources were partially allocated for this type of investment.

5.2 In local currency

The deposits are those constituted in accordance with legal determinations, bound to legal claims in process, and for which either a provision is recognized (note 21.1) or a court-ordered payment order is issued (note 17.2). The deposits are remunerated by the TR (Referential Rate) and, due to their nature, are restricted for other use until a court decision is issued on the subject on litigation.

6 - FINANCIAL ASSETS PURCHASED UNDER RESELL AGREEMENTS (REVERSE REPO) / SOLD UNDER REPURCHASE AGREEMENTS (REPO)

These are transactions in which assets are purchased under an agreement to be resold on a future date (reverse repo) or are sold under an agreement to be repurchased in a future date (repo). In view of the characteristics of these transactions, the items traded are recorded as collaterals, except in the case of trades of foreign currencies, since they are delivery versus payment transactions; that is to say, the receiving of the currency negotiated settles the operation. In the foreign market, the Bank normally contracts with the

same counterparty a repo and a reserve repo transaction, the liquidation of which occur in an independent way.

6.1 In foreign currencies

	Dec 31,2010	Dec 31,2009
Reverse Repo	**8,383,977**	**6,048,730**
Securities	7,251,771	5,665,303
Currencies	1,132,206	383,427
Collaterals	7,263,920	5,630,616
Repo	**8,392,305**	**6,048,448**
Securities	7,251,455	5,665,127
Currencies	1,140,850	383,321
Collaterals	7,112,921	5,531,474

a) Reverse repo:

Reverse repo operations are performed exclusively against US Treasuries as collateral. The quantity of securities and the amounts received as collateral are continuously monitored and adjusted to their price and risk. The calculation of the collateral adjustments is done considering the set of operations of each counterpart, i.e., margin adjustments are made every time the collateral offered in repo operations (note 6.1.b) is greater than 98% of the collateral received in reverse repo operations.

The Bank is allowed to sell, commit, loan or transfer the securities deposited as collateral, as long as they are returned at the final date of the transaction. In accordance with what is prescribed by The Bond Market Association (TBMA) and the International Securities Market Association (ISMA) in the documents Master Repurchase Agreement or Global Master Repurchase Agreement, these guarantees will be exercised in the event of default of one of the parties.

b) Repo:

These are transactions through which the Bank offers US Treasuries securities of its portfolio as collateral. To hedge from the inherent market and credit risks, the Bank hands out securities representing 98% of the amount of the repo operations. The calculation methodology and the realization of these collaterals are the same of the ones for the reverse repos.

6.2 In local currency

	Dec 31,2010	Dec 31,2009
Repo	**288,665,899**	**454,709,678**
Securities	288,665,899	454,709,678
Collaterals	**289,501,637**	**457,316,991**
Transactions of collateral allowed	143,180,011	79,443,490
Transactions of collateral not allowed	146,321,626	377,873,501

The collateral of repos and reverse repos are always constituted in debt securities issued by the Federal Government and held under custody in the Special System of Clearance and Custody (Selic). Aiming to protect the creditor against the fluctuations of the market rates (prices), these securities are valued at prices lower than their value in the secondary market. Since the value of the collaterals is established when the transaction takes place and there is no adjustment while it is effective, the lender of resources takes the

risk of fluctuation of the market prices of the collaterals when they fall under those established when the transaction took place.

Repo operations can be constituted allowing the trade of collateral, in which the final sale is permitted, provided that they are returned on the settlement date to its owner, or not allowing the trade of collateral, a transaction in which the final sale is not permitted during the term of the operation. On the other hand, when the reverse repo operations take place the sale of the collateral is never allowed.

The reduction in the balance of repo operations in the period occurred on account of the impact of changes in the rules of reserve requirements (note 16), whose effect was attenuated by increasing levels of market liquidity resulting from the net redemption of federal government securities in the market, including the payment of interest, and the Bank's action in the interbank foreign exchange market through auction purchases of foreign currency.

7 - DERIVATIVES

In the management of the international reserves, the Bank uses derivatives in its routine operations, either with the purpose to make viable an investment strategy previously devised by the Committee on Investment Strategy or to hedge the market risk exposure, aiming to achieve liquidity, security and profitability, hedging also the country's short-term foreign sovereign debt.

In view of these objectives, the Committee on Investment Strategy authorized the contracting of derivatives in currencies different from those used to hedge the sovereign external debt using a model that exploits the differential interest rate in countries and a medium-term trend model based on technical factors, both fully used in the international financial market.

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

a) currency forwards – derivative instruments characterized by a contract to trade currencies (purchase and sale) at a predetermined price on a future date. These operations are over-the-counter (OTC), i.e., they are dealt directly with financial institutions;

b) interest rate and securities futures – derivative instruments characterized by obligations to pay or to receive an amount linked to the variation in interest rates or to the value of securities on a future date, in accordance with the number and the size of the open contracts at a predetermined price established by the market. These operations are coursed in a stock exchange and are collateralized in cash, and their values are daily adjusted on the futures exchange.

The publication of the terms of the securities futures operations, which in 2009 was done based on the time period of the contract, started to be based on the time period of the underlying assets, so as to better disclose the Bank's exposure to market risk. The amounts referring to 2009 were adjusted on the grounds of comparativeness.

Dec 31, 2010

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 - 6 months			11,031	10,169
Australian Dollar	104,770	34,312	-	-
Canadian Dollar	-	33,439	-	-
Swiss Franc	113,021	-	-	-
Euro	67,324	228,949	1,458	47
Pound Sterling	66,615	-	-	-
Japanese Yen	128,506	115,354	1,693	942
New Zealand Dollar	-	138,647	-	-
Swedish Krona	79,539	-	-	-
United States Dollar	374,967	383,134	7,880	9,180
Interest-rate Futures				
1 - 6 months			122	366
Australian Dollar	-	2,542,950	122	366
Securities Futures				
1 - 5 years			-	342
United States Dollar	9,938,163	-	-	-
Euro	-	760,623	-	342
> 5 years			12,073	6,242
United States Dollar	2,485,040	-	-	-
Australian Dollar	644,214	1,813,971	5,941	4,742
Canadian Dollar	-	57,092	57	-
Euro	741,691	277,744	2,299	1,500
Pound Sterling	424,227	-	3,776	-
Total			**23,226**	**17,119**

Dec 31, 2009

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 - 6 months			36,524	33,296
Australian Dollar	528,967	289	-	-
Canadian Dollar	-	264,315	-	-
Euro	502,048	43,491	212	-
Pound Sterling	265,805	-	-	-
Japanese Yen	8,523	496,533	-	-
Norwegian Krone	34,480	17,064	-	-
New Zealand Dollar	8,957	8,957	-	-
United States Dollar	855,037	1,366,556	36,312	33,296
Securities Futures				
1 - 5 years			31,840	-
United States Dollar	-	24,411,586	22,886	-
Euro	-	7,461,337	8,954	-
> 5 years			-	29,759
United States Dollar	6,636,626	-	-	25,924
Euro	1,278,356	-	-	3,835
Total			**68,364**	**63,055**

Given their characteristics, a delivery versus payment transaction, currency forward operations demand no collaterals. In relation to the future operations, the collaterals are deposits that amounted to R$115,513 in 2010 (R$69,251 in 2009).

8 - DEBT SECURITIES

8.1 In foreign currencies

	Dec 31, 2010	Dec 31, 2009
Uncommitted Securities	**405,661,032**	**380,375,005**
1 month	3,929,977	134,570
1 - 6 months	32,504,250	75,675,037
6 - 12 months	15,882,816	7,325,789
1 - 5 years	331,374,640	288,875,799
more than 5 years	21,969,349	8,363,810
Securities linked to Repurchase Agreements	**7,108,326**	**5,531,474**
1 - 5 years	7,108,326	5,531,474
Securities granted as collateral	**4,595**	**-**
1 - 5 anos	4,595	-
Total	**412,773,953**	**385,906,479**

These securities are fixed rate debt securities, issued by national treasuries, supranational or multilateral organisms or governmental agencies, acquired by the Bank in accordance to its investment policy. The portfolio is part of the international reserves and its main objectives are the diversification of the types of investments and risks, to increment profitability and to maintain different types of liquidity.

These securities are classified as “at fair value through profit or loss”. The table below shows the amortized cost and the carrying amount of these assets, after the mark-to-market adjustments:

	Dec 31, 2010	Dec 31, 2009
Amortized Cost	411,124,207	383,063,041
Mark-to-market Adjustment	1,649,746	2,843,438
Carrying Amount	**412,773,953**	**385,906,479**

The increase in the foreign currency securities portfolio occurred mainly due to the investment of resources originated from the Bank’s purchases of foreign currencies in the domestic market, which was partially compensated by the appreciation of the Real in relation to United States Dollar (note 3.3) the currency in which the most significant part of this portfolio is denominated (note 33.2).

8.2 In local currency

Dec 31, 2010

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**41,666,386**	**23,901,233**	**28,578,997**	**196,756,851**	**125,836,676**	**416,740,143**
LTN	30,475,491	-	24,946,611	12,776,566	-	68,198,668
LFT	-	14,761,015	4	110,316,411	4,497,817	129,575,247
NTN-B	-	9,140,218	3,632,382	42,343,555	98,176,097	153,292,252
NTN-F	11,190,895	-	-	31,320,319	23,162,762	65,673,976
Securities linked to Repurchase Agreements	**-**	**28,301,763**	**69,490,946**	**149,620,448**	**39,022,145**	**286,435,302**
LTN	-	-	30,069,343	13,764,819	-	43,834,162
LFT	-	26,408,499	26,988,015	88,004,945	-	141,401,459
NTN-B	-	1,893,264	12,433,588	17,733,675	19,360,674	51,421,201
NTN-F	-	-	-	30,117,009	19,661,471	49,778,480
Untradable securities	**-**	**-**	**-**	**3**	**195**	**198**
NTN-P	-	-	-	3	195	198
Total	**41,666,386**	**52,202,996**	**98,069,943**	**346,377,302**	**164,859,016**	**703,175,643**

Dec 31, 2009

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**38,943,310**	**377,062**	**8,506,717**	**80,627,225**	**56,466,871**	**184,921,185**
LTN	29,980,256	377,062	627,718	6,913	-	30,991,949
LFT	-	-	-	7,149,119	6,045,746	13,194,865
NTN-B	-	-	100,617	28,644,583	31,322,503	60,067,703
NTN-F	8,963,054	-	7,778,382	44,826,610	19,098,622	80,666,668
Securities linked to Repurchase Agreements	**-**	**14,313,036**	**34,496,149**	**320,348,147**	**86,128,587**	**455,285,919**
LTN	-	14,313,036	20,434,539	66,713,349	-	101,460,924
LFT	-	-	-	201,212,816	28,373,525	229,586,341
NTN-B	-	-	14,061,610	38,500,617	51,980,009	104,542,236
NTN-F	-	-	-	13,921,365	5,775,053	19,696,418
Untradable securities	**-**	**-**	**8,629**	**-**	**185**	**8,814**
NTN-P	-	-	8,629	-	185	8,814
Total	**38,943,310**	**14,690,098**	**43,011,495**	**400,975,372**	**142,595,643**	**640,215,918**

The Bank attempts to manage its securities portfolio so as to have adequate instruments for the implementation of its monetary policy, i.e. the fulfillment of transactions for purchase and sale of securities, which can be either a final sale or a commitment under agreement. In order to do so, the Bank tends to follow the profile of the debt held by the public, and for this, when the securities in its portfolio reach the maturity date, the Bank rebuilds its portfolio through public offerings of the National Treasury. These operations are always made by the average price paid by the other players of the market.

The characteristics of the securities held by the Bank are as follows:

a) National Treasury Bills – LTN: fixed interest rate determined by a discount to the face value;

b) Financial Treasury Bills – LFT: variable interest rates determined by the adjusted average rate of daily financing in the Selic (Selic interest rate);

c) National Treasury Notes Series B – NTN-B: variable interest rate determined by the Amplified National Consumer Price Index – IPCA, with 6% interest p.a. paid on a half-year basis;

d) National Treasury Notes Series F – NTN-F: fixed interest rate determined by a discount to the face value, with 10% interest p.a. paid on a half-year basis;

e) National Treasury Notes Series P – NTN-P: registered and non-negotiable, updated by the Referential Rate (TR) plus 6% interest p.a. payable upon redemption.

The following table shows the amortized cost and the carrying amount of securities, after mark-to-market adjustments (note 3.4.5):

	Dec 31, 2010			Dec 31, 2009		
	Amortized Cost	Mark-to-market Adjustment	Carrying Amount	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
Available-for-sale	**112,276,626**	**(243,796)**	**112,032,830**	**131,889,464**	**563,409**	**132,452,873**
LTN	112,276,626	(243,796)	112,032,830	131,889,464	563,409	132,452,873
Held-to-maturity	**591,142,813**	**-**	**591,142,813**	**507,763,045**	**-**	**507,763,045**
LFT	270,976,706	-	270,976,706	242,781,206	-	242,781,206
NTN-B	204,713,453	-	204,713,453	164,609,939	-	164,609,939
NTN-F	115,452,456	-	115,452,456	100,363,086	-	100,363,086
NTN-P	198	-	198	8,814	-	8,814
Total	**703,419,439**	**(243,796)**	**703,175,643**	**639,652,509**	**563,409**	**640,215,918**

The variation observed in the securities portfolio is basically a result of the issuance of securities by the National Treasury in favor of the Bank, so as to provide coverage of the result of the foreign exchange equalization of the 2nd semester of 2009 (note 36.1) as well as the related interest accrued (note 24) partly compensated by the redemption of securities during the period.

9 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Assets	**Dec 31, 2010**	**Dec 31, 2009**
Foreign exchange equalization	48,633,518	53,931,576
Other	634	1,363
Total	**48,634,152**	**53,932,939**

Liabilities	**Dec 31, 2010**	**Dec 31, 2009**
National Treasury Operating Account	404,516,398	406,354,420
Result to be transfered to the National Treasury	4,929,917	6,553,787
Other	1,075,456	899,686
Total	**410,521,771**	**413,807,893**

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in note 36.1.

10 - CREDITS RECEIVABLE

10.1 In foreign currencies

	Dec 31, 2010	**Dec 31, 2009**
Note Purchase Agreement	1,642,664	-
Foreign Currency Loans	-	951,296
Other Credits Receivable	6,733	543
Collaterals	**-**	**1,301,493**
Total	**1,649,397**	**951,839**

The balance of receivables in foreign currencies as at 31 December, 2010 refers basically to the Bank's participation in the Note Purchase Agreement – NPA, a mechanism through which the country invests in notes issued by the IMF in order to provide assistance to countries with difficulties in its balance of payments.

The agreement signed on January 21, 2010 provides for a period of two years, the availability of up to U$10 billion for investment in notes issued by the Fund, denominated in SDRs and remunerated at the rates of SDR. The SDR basic interest rate is determined weekly based on the weighted average interest rates representing short-term debts in the money market of the countries whose currencies constitute the SDR (note 3.3).

The maturity of these notes is three months after its issuance, with automatic renewal for additional periods of three months, unless otherwise manifestation of the IMF, to the maximum term of five years. The expected issuance of notes will be reported quarterly by the IMF, according to a weekly limit SDR400 million being made available to fund its early redemption, in whole or in part, by prior consultation with the buyer.

It is worth noting also that the loan transactions undertaken by the Bank to provide liquidity to the National Financial System during the global financial crisis were liquidated in the course of 2010.

10.2 In local currency

Dec 31, 2010

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit or loss - Designated by management	**62,769,962**	**(32,717,469)**	**30,052,493**
Banco Nacional - Under extrajudicial liquidation	30,698,448	(14,879,592)	15,818,856
Banco Econômico - Under extrajudicial liquidation	26,659,522	(14,396,094)	12,263,428
Banco Mercantil - Under extrajudicial liquidation	1,970,209	-	1,970,209
Banco Banorte - Under extrajudicial liquidation	729,556	(729,556)	-
Banco Bamerindus - Under extrajudicial liquidation	2,712,227	(2,712,227)	-
Loans and Receivables	**9,021,335**	**-**	**9,021,335**
Loans related to rural credit	8,714,410	-	8,714,410
Centrus	289,283	-	289,283
Other	17,642	-	17,642
Total	**71,791,297**	**(32,717,469)**	**39,073,828**

Dec 31, 2009

	Amortized Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit or loss - Designated by management	**57,115,472**	**(28,809,611)**	**28,305,861**
Banco Nacional - Under extrajudicial liquidation	28,421,608	(12,737,291)	15,684,317
Banco Econômico - Under extrajudicial liquidation	23,399,499	(12,592,736)	10,806,763
Banco Mercantil - Under extrajudicial liquidation	1,881,181	(66,400)	1,814,781
Banco Banorte - Under extrajudicial liquidation	716,629	(716,629)	-
Banco Bamerindus - Under extrajudicial liquidation	2,696,555	(2,696,555)	-
Loans and Receivables	**658,807**	**-**	**658,807**
Loans related to rural credit	362,773	-	362,773
Centrus	267,500	-	267,500
Other	28,534	-	28,534
Total	**57,774,279**	**(28,809,611)**	**28,964,668**

10.2.1 Fair Value – Designation by management

a) Characteristics and credit conditions

The receivables from financial institutions under extrajudicial liquidation stem either from financial assistance provided to the banks (Proer loans), or from negative account balances (overdrafts) in the banks' reserve accounts.

These receivables are adjusted based on the sole paragraph of Article 124 of Law 11,101, of February 9, 2005 (Bankruptcy Law), by which the portion of the receivable balances attributable to the Proer loans are updated by the contractual rates up to the limits of the collaterals on the loans, and the remaining balances by the TR, considering that the contractual rates arise from the collateral on the original credits.

The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6,024, of March 13, 1974) and the Bankruptcy Law. This legislation determines, among others:

- the suspension of the previously stated periods for the settlement of the obligations;
- that the payment of the liabilities shall be made in accordance with the priority of lien established by law, as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages claims, secured creditors, tax liabilities and unsecured creditors;
- the establishment of a general table of creditors in order to identity all of the creditors of the institution, the effective values of their credits and their position in the order of preference to receive payments for these credits;
- the procedures necessary to realize the assets of the institution, for example, the form of sale (i.e. direct sale or auction, individual assets or groups of assets).

The amortizations since the legal dates of the respective extrajudicial liquidations were allocated against the receivables originated from the financial assistance provided to the institutions in the form of Proer loans. It is important to note that these amounts are subject to alteration in situations that the debtor has the legal option, in the existence of more than a single debt balance with different characteristics, to choose the most convenient in the circumstances. The value recognized represents the best possible estimate for the date.

In view of these characteristics, the timing of the realization of these assets cannot be precisely forecasted, although it is important to note that a majority of the Bank's credits are supported by real guarantees and, as such, have their values linked to the value of these guarantees, without prejudice to any legal and administrative actions so as to collect the residual credit.

With the enactment of Law 12,249, of June 11, 2010, by the debtor's choice, manifested until December 31, 2010, these credits can be subject to repayment in installments or the granting of repayment special conditions. The debtors' application for dividing the amounts due into installments or the granting of special conditions for repayments are under analysis so as to consider if they are in conformity with legal determinations.

b) Classification and measurement

These credits are classified as "at fair value through profit or loss" due to management's view that this classification results in more relevant information, considering the following characteristics:

- they comprise a portfolio of assets with the same origin – arising from the Bank's role as supervisor of the National Financial System;
- since 1999, these assets have been evaluated based on their realizable values for accounting and managerial purposes. This form of evaluation reflects the Bank's objectives when dealing with extrajudicial liquidation processes, which are to conclude the processes in the least possible period of time and expending the least amount of costs to the monetary authority, depositors and investors.

The fair value of these credits is measured based on the fair value of the corresponding collaterals, constituted by LFT, NTN-A3 e FCVS/CVS excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes).

Particularly in relation to collaterals denominated in FCVS/CVS, given the absence of an active market that allows to obtain fair value, from 2010 onwards these guarantees have to be evaluated by a pricing model based on market referential rates provided by the Stock, Futures and Commodities Exchange (BM&F Bovespa).

10.2.2 Loans and Receivables

a) Loans related to rural credit

These operations refer, basically, to loans to financial institutions with funds originated in the reserve requirements against rural loan investment deficiencies. The loans occur upon request of the financial institutions and are limited to the amount of the respective compulsory reserve deposit, and must be invested in rural loan operations.

These loans have a limited term of 12 months. As for the resources from rural savings, they are interest bearing, which is represented by the TR.

The variation in the balance of loans related to rural credit occurred as a result of the increase in the deficiencies in the investment by the banks in rural credit, in the period, thus augmenting the amount of loans the Bank provided to financial institutions.

b) Centrus

In 2009, changes were made in the regulation of the benefit plans of Centrus contemplating the increase of the basic quotas of pensions for death, crediting the sponsor in the proportion of the benefit. In the settlement agreement on December 23, 2010, the Bank and Centrus accorded that the funds will be transferred upon request of the sponsor and will be paid: (i) until December 31, 2010, with the application the rate of return of the Foundation; (ii) thereafter, the rate equivalent to the return achieved by Centrus investments in public securities, including short-term funds collateralized in those securities.

The variation observed until 31 December 2010 occurred due from the remuneration of such credits by the rate of return of Centrus.

11 - GOLD

The Bank, as other central banks, maintains a certain amount of gold as part of Brazil's international reserves. Gold is considered a reserve asset because it is immediately available for use by the monetary authority on an unconditional basis, and thus, management understands that gold held by the Bank is a monetary asset.

In view of these characteristics, management understands that the IFRS does not provide an adequate basis of accounting for this type of asset. Therefore, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the Bank determined that the most reliable and relevant way to measure and present gold would be that prescribed for other financial assets (IAS 39).

As at December 31, 2010 and 2009, the Bank's gold reserve amounted to 1,080,459.824 fine troy ounces classified as "available for sale" given the lack of a specific intent to trade it in the near-term. Hence, gold is measured at its market price in US dollars, with price adjustments recorded in equity and the effects of foreign exchange rate variation recorded in the Income Statement.

	Dec 31, 2010	Dec 31, 2009
Cost	510,558	533,545
Mark-to-market Adjustment	2,019,103	1,511,895
Carrying Amount	**2,529,661**	**2,045,440**

The variation in the period is basically due to the increase in the price of gold in the international financial market (note 3.3).

12 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The Bank's interest in international financial organizations comprises quotas of the IMF (1.40% of the Fund's total quotas) and equity shares of the BIS (0.55% of the entity's capital). These participations do not fall under the definitions of "control" or "significant influence in the administration or in the financial and operating policy decisions", which determines that they must be recorded as prescribed on the IAS 39.

These investments are classified as "available for sale", and their market value is determined based on the amount in Reais of Brazil's share in the entities.

	Dec 31, 2010	Dec 31, 2009
International Monetary Fund - IMF	7,788,811	8,255,505
Bank for International Settlements - BIS	63,822	67,647
Total	**7,852,633**	**8,323,152**

As regards the Bank's interest in the IMF, a reform in the system of quotas of the Fund was approved in April 2008, which will result in the increase of the Bank's interest to 1.78%. The effects of the reform depend on the approval by the member countries that own 85% of the total of quotas, representing at least 3/5 of the IMF's memberships.

The variation in the balance of the item, basically, occurred on account of the appreciation of the Real in relation to SDR in the period (note 3.3).

13 - PROPERTY, PLANT AND EQUIPMENT

2010

	Precious Metals under several forms	Property	Equipments	Works of art and Museum pieces	Total
Balance as at Dec 31, 2009	**38,482**	**624,804**	**87,089**	**30,124**	**780,499**
Cost	38,750	687,076	252,544	30,124	1,008,494
Accumulated Depreciation	-	(62,272)	(165,455)	-	(227,727)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2010	**-**	**(8,248)**	**(4,783)**	**10**	**(13,021)**
Aquisitions/Constructions	-	1,860	25,030	10	26,900
Sales/Write-offs	-	-	(19,721)	-	(19,721)
Depreciation	-	(10,108)	(25,407)	-	(35,515)
Depreciation write-offs	-	-	15,315	-	15,315
Balance as at Dec 31,2010	**38,482**	**616,556**	**82,306**	**30,134**	**767,478**

2009

	Precious Metals under several forms	Property	Equipments	Works of art and Museum pieces	Total
Balance as at Dec 31, 2008	**38,482**	**632,325**	**83,533**	**30,119**	**784,459**
Cost	38,750	684,492	225,657	30,119	979,018
Accumulated Depreciation	-	(52,167)	(142,124)	-	(194,291)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2009	**-**	**(7,521)**	**3,556**	**5**	**(3,960)**
Aquisitions/Constructions	-	2,584	31,971	5	34,560
Sales/Write-offs	-	-	(5,084)	-	(5,084)
Depreciation	-	(10,105)	(28,332)	-	(38,437)
Depreciation write-offs	-	-	5,001	-	5,001
Balance as at Dec 31, 2009	**38,482**	**624,804**	**87,089**	**30,124**	**780,499**

14 - OTHER ASSETS

	Dec 31, 2010	Dec 31, 2009
In Foreign Currencies	**1,099**	**-**
In Local Currency	**1,922,205**	**3,454,603**
Actuarial Surplus - Centrus (Note 21.2)	1,839,249	3,371,447
Other	82,956	83,156
Total	**1,923,304**	**3,454,603**

15 - ITEMS IN THE COURSE OF COLLECTION

These items refer to operations in foreign currency that are pending settlement as at the reporting date, whose settlement will occur in up to two or three days.

16 - DEPOSITS OF FINANCIAL INSTITUTIONS

	Dec 31, 2010	Dec 31, 2009
In Foreign Currencies	**1,185**	**470**
In Local Currencies	**379,441,614**	**97,077,510**
Demand Deposits	55,707,954	34,211,650
Term Deposits	104,150,806	11,826
Savings Deposits	72,184,979	60,008,735
Additional Requirements	135,721,287	-
Other	11,676,588	2,845,299
Total	**379,442,799**	**97,077,980**

The deposits of financial institutions in local currencies comprise mainly reserve requirements, a traditional mechanism of monetary policy that acts as a short-term liquidity stabilizer of the economy.

The amounts to be deposited are calculated considering the average daily balances that financial institutions hold from investors and may be required in cash or in federal public securities. Those made in cash are recognized as demand liabilities of the Bank.

Presently, the main deposits made in cash have the following characterizes:

a) on demand deposits – 43% of the basis of calculation (average balance of demand deposits minus R$44,000) is kept in a interest-free account;

b) on term deposits – 20% of the basis of calculation (average balance of term deposits minus R$30,000), must be maintained at the Bank in an account remunerated by the Selic rate, granted other additional deductions linked to: (i) to Regulatory Capital – Level I (PR1) of financial institutions; and (ii) to acquisitions of assets and investments in inter-financial deposits with financial institutions whose PR1 is less than R$2,500,000;

c) on savings deposits – 20% of savings account deposits (or 16% of rural savings account) remunerated at TR plus 6.17% p.a. for free savings, retirement-earmarked savings and the rural savings categories and TR plus 3% p.a. for earmarked savings);

d) additional requirements – additional reserve requirements on the total demand deposits (12%), term deposits (12%) and savings deposits (10%), bearing the Selic rate considered certain admissible deductions whose values are in tune with the financial institutions' PR 1.

The change in the balance of Deposits of Financial Institutions is mainly associated to the change in form of collection of the reserve requirements, to the increase in the percentage applied to reserve requirements on Term Deposits and Additional Requirements, as shown in the table that follows:

	Dec 31,2010	Dec 31,2009
Time deposits		
Reducer	30,000	30,000
Percentage	20%	13.5%
Form of collection	Cash	55% in Cash; and 45% in Federal public securities
Interest	Selic rate	Not remunerated
Deduction [(1)]		
- Linked to the institutions' PR 1		
. Institutions with PR 1 inferior to R$2,000,000	3,000,000	2,000,000
. Institutions with PR 1 equal or superior to R$2,000,000 and inferior to R$5,000,000	2,500,000	2,000,000
. Institutions with PR 1 equal or superior to R$5,000,000	-	2,000,000
- Linked to asset acquisitions and investments in interfinancial deposits [(2)]	Limited to 36% of the value to be collected	Limited to the parcel collected in cash
Additional requirement		
Percentage - Demand deposits	12%	5%
Percentage - Time deposits	12%	4%
Percentage - Savings deposits	10%	10%
Form of collection	Cash	Federal public securities
Interest	Selic rate	Not remunerated
Deduction [(1)]		
- Linked to the institutions' PR 1		
. Institutions with PR 1 inferior to R$2,000,000	2,500,000	1,000,000
. Institutions with PR 1 equal or superior to R$2,000,000 and inferior to R$5,000,000	2,000,000	1,000,000
. Institutions with PR 1 equal or superior to R$5,000,000	-	1,000,000

(1) Only collection of the parcel that exceeds the amount specified.
(2) Applied only to operations with institutions with PR 1 inferior to R$2,500,000.

17 - PAYABLES

The balance recorded as payables comprises:

	Dec 31, 2010	Dec 31, 2009
In Foreign Currencies	**7,592,285**	**8,121,885**
SDR allocations	7,411,025	7,853,290
Other	181,260	268,595
In Local Currency	**1,248,578**	**1,211,601**
Court-ordered payables	1,063,308	1,037,606
Other	185,270	173,995
Total	**8,840,863**	**9,333,486**

17.1 In foreign currencies

The SDR allocations are resources made available by the IMF to member countries, proportionally to their share of participation, without due date. On the use of these resources, there is interest (paid quarterly) calculated by the rates of SDR (note 10.1), disclosed by the Fund itself. The SDRs of these allocations compose the country's international reserves (note 4) and are subject to remuneration represented by the same rates applied to the liabilities.

The variation observed in the balance of Payables denominated in foreign currencies is basically related to the effects of foreign exchange rate variations that occurred in the period.

17.2 In local currency

In accordance with Article 100, Paragraph 5 of the Federal Constitution, public entities shall include in their respective budgets the amounts necessary to cover court-ordered payment orders submitted up to July 1 of each year, for payment not later than the end of the subsequent fiscal year.

With the publication of Constitutional Amendment 30, of September 13, 2000, the court-ordered payment orders resulting from lawsuits filed in courts before December 31, 1999 shall be settled at their actual value in cash, plus legal interest, in successive, equal annual installments over a maximum period of ten years, except for credits related to alimony and credits of small amounts.

Under Article 29 of Law 12,309, of August 9, 2010 (Budget Law of 2011 – LDO 2011), budgetary provisions passed by the annual budget law to cover payments of debts resulting from court decisions beyond appeal were decentralized to the individual court level. These courts apply for the funds and are responsible for making the corresponding payments directly to the prevailing party. As a result, budgetary and financial resources no longer flow through the Bank (the debtor entity). The existing balance at December 31, 2010 refers to court-ordered payment orders to be paid from 2011 onwards.

18 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2010	Dec 31, 2009
In Foreign Currencies	**6,132,430**	**6,725,871**
Inter-American Development Bank	78,108	100,583
International Bank for Reconstruction and Development	15,977	16,119
International Monetary Fund	6,038,328	6,608,180
Other	17	989
In Local Currency	**941**	**566**
Plata Basin Development Fund	941	566
Total	**6,133,371**	**6,726,437**

The deposits received from the international financial organizations are mainly demand deposits that the IMF maintains in Brazil. They represent Brazil's interest in the Fund that was paid up in local

currency. Other international organizations maintain deposit accounts at the Bank in order to pay their administrative expenses.

In 2009, Brazil joined the IMF's Financial Transactions Plan (FTP), an IMF credit facility by means of which the institution makes available a parcel of members' quota resources to provide financing to other member countries. The inclusion implies that Brazil converts part of its member quota, denominated in Reais, into freely-used currencies (US dollar, Euro, Pound Sterling and Yen), when the Fund utilize resources from the Brazilian quota in financing other member countries.

The change in the balance of the International Monetary Fund's deposits refers to the appreciation of the Real in relation to the SDR (note 3.3.) and to the utilization by the IMF of resources from the Brazil's quota in the scope of the Financial Transactions Plan (FTP).

19 - FINANCIAL INSTRUMENTS – BY CATEGORY

19.1 In foreign currencies

	Dec 31, 2010		Dec 31, 2009	
	Carrying amount	Mark-to-market Adjustment	Carrying amount	Mark-to-market Adjustment
Financial Assets	**496,109,813**	**496,109,813**	**429,635,304**	**429,635,304**
Loans and receivables	72,930,340	72,930,340	30,800,385	30,800,385
Available-for-sale	10,382,294	10,382,294	10,368,592	10,368,592
Fair value through profit or loss - Held for Trading	412,797,179	412,797,179	388,466,327	388,466,327
Financial Liabilities	**22,594,749**	**22,594,749**	**21,352,204**	**21,352,204**
Other liabilities	22,577,630	22,577,630	21,289,149	21,289,149
Fair value through profit or loss - Held for Trading	17,119	17,119	63,055	63,055

19.2 In local currency

	Dec 31, 2010		Dec 31, 2009	
	Carrying amount	Mark-to-market Adjustment	Carrying amount	Mark-to-market Adjustment
Financial Assets	**791,530,884**	**806,549,505**	**723,756,801**	**727,359,998**
Held-to-maturity	591,142,813	606,161,434	507,763,045	511,366,242
Loans and receivables	58,302,748	58,302,748	55,235,022	55,235,022
Available-for-sale	112,032,830	112,032,830	132,452,873	132,452,873
Fair value through profit or loss - Designated by management	30,052,493	30,052,493	28,305,861	28,305,861
Financial Liabilities	**1,080,434,779**	**1,080,434,779**	**967,077,685**	**967,077,685**
Other liabilities	1,080,434,779	1,080,434,779	967,077,685	967,077,685

Excluding the transactions with securities in local currency (note 8.2), the fair value of the transactions measured by the amortized cost presents no significant differences from their amortized cost, because these are on demand or short-term operations. The explanatory notes 31 to 35 show the Bank risk policy in the management of financial assets and liabilities.

20 - FAIR VALUE HIERARCCHY

The measurement methodologies of fair value are classified in accordance with the following levels of hierarchy that reflect the representativeness of the data used in the reckoning of the fair value measurement:

a) Level 1 – assessment based upon unadjusted quoted prices in active markets for identical assets or liabilities;

b) Level 2 – assessment based upon valuation techniques whose variables include only data from observable markets. This level contemplates financial instruments that are assessed with the utilization of: (i) quoted prices of similar financial instruments, traded in active markets; (ii) quoted prices of identical or similar financial instruments, traded in markets that are not very active; and (iii) other valuation techniques in which all observable data are based, directly or indirectly, on market information;

c) Level 3 – assessment based upon valuation techniques whose variables are not based on observable market data (unobservable inputs). This level is composed of all financial instruments whose valuation techniques are based on data not observable in market information, considering that these data have a relevant effect in the measurement of the fair value. The level includes financial instruments that are assessed based upon quoted prices that need adjustments and assumptions so as to reflect differences between the financial instruments.

The following table shows the amount of financial instruments that are measured at their fair value grouped by the level of fair value hierarchy in which they are classified.

	Phase 1	Phase 2	Phase 3	Total
Assets in Foreign Currencies	**423,179,473**	**-**	**-**	**423,179,473**
Derivatives	23,226	-	-	23,226
Debt Securities	412,773,953	-	-	412,773,953
Gold	2,529,661	-	-	2,529,661
Investments in International Financial Organizations	7,852,633	-	-	7,852,633
Assets in Local Currency	**112,032,830**	**-**	**30,052,493**	**142,085,323**
Debt Securities Issued by the Federal Government - LTN	112,032,830	-	-	112,032,830
Credits Receivable - Institutions under Extrajudicial Liquidation	-	-	30,052,493	30,052,493
Liabilities in Foreign Currencies	**17,119**	**-**	**-**	**17,119**
Derivatives	17,119	-	-	17,119

The fair value of the item “receivables from financial institutions under extrajudicial liquidation” (note 10.2) is a Level 3 fair value on the grounds that the methodology for its measurement considers the fair value of the collaterals, as follows:

a) LFT – the fair value is based on market prices;

b) NTN-A3 – the fair value is obtained using the discounting rates implied in trades of similar financial instruments (Global Bonds);

c) FCVS/CVS – the fair value is based on referential rates of DI x TR swaps available at BM&F Bovespa for a contract’s maturity date.

No alternative methodology that could be also considered appropriate, that could serve as a basis for the calculation of the impact of its use for the measurement of fair value of the collaterals represented by FCVS and CVS

The movement in the balances of the item “receivables from financial institutions under extrajudicial liquidation”, during 2010, is exclusively a result of the fair value adjustments of the credit which were recognized in the Income Statement of the period.

21 - PROVISIONS

	Dec 31, 2010	Dec 31, 2009
Legal claims	2,696,925	2,727,709
Actuarial liabilities	17,469,122	14,478,773
Total	**20,166,047**	**17,206,482**

21.1 Provisions for Legal Claims

As at December 31, 2010, the Bank was party to 15,264 lawsuits (3,527 as the plaintiff, 11,734 as the defendant e 3 as an interested party) referring to various subjects, among which are economic plans, employment relationships, privatization procedures and liquidation procedures of financial institutions. As at December 31, 2009 there were 20,889 lawsuits in total, being 3,596 as plaintiff, 17,290 as defendant and 3 others as an interested party. The variation in the number of lawsuits in which the Bank was party in the period occurred substantially by virtue of the closure of lawsuits related to the Collor Plan.

The Bank's legal department assesses the lawsuits taking into consideration the amount under judgment, the present stage of the lawsuit and the risk of loss. The risk of loss is determined based on previous decisions taken during the course of the lawsuit, jurisprudence and precedents of similar lawsuits.

Whenever the probability that the loss event is classified as probable (i.e. whenever the probability of loss is considered more than 50%) a provision is recorded for the amount of 100% of the value under judgment as well as estimated attorney fees to be born by the loser of the judicial dispute. During 2010, the Bank recognized provisions in relation to 1,248 lawsuits (1,694 in 2009). The following table presents the changes in the provision account during the period:

	2010	2009
Initial balance	**2,727,709**	**2,831,278**
Changes	**(30,784)**	**(103,569)**
Constitution	288,142	193,342
Reversal	(297,358)	(274,301)
Transfer to Court-ordered Payables	(21,568)	(22,610)
Final balance	**2,696,925**	**2,727,709**

The balances referring to lawsuits have been adjusted by the Selic rate.

The lawsuits in which the Bank considered the possibility of loss to be less than probable and more than remote were considered contingent liabilities and, thus, were not provided for. On December 31, 2010, there were 979 lawsuits (1,052 in 2009) considered contingent liabilities, amounting to R$64,291,722 (R$62,156,834 in 2009).

The table below presents the amounts of provisions broken down by the expected term for the settlement of the lawsuits:

	Dec 31, 2010	Dec 31, 2009
2010	-	1,869,472
2011	821,221	229,081
2012	1,243,562	89,090
2013	45,667	19,533
2014	36,241	33,582
2015	521,096	462,235
2016	8,519	7,172
2017	3,168	4,736
2018	10,964	4,884
2019	1,197	2,852
2020	2,000	1,939
2021	3,277	3,133
2023	13	-
Total	**2,696,925**	**2,727,709**

The Bank in conformity with judicial procedures places deposits in financial institutions in connection with legal lawsuits in progress (note 5.2). These deposits may be used in one of the following situations:

a) a decision that is favorable to the Bank, case in which the magistrate authorizes the Bank to withdraw the balance deposited;

b) a decision that is unfavorable to the Bank, case in which the magistrate demands that the financial institution transfers the balance deposited to the winning counterparty;

c) a decision that is unfavorable to the Bank and the issuing of a precatory letter, case in which the magistrate authorizes the Bank to withdraw the balance deposited.

21.2 Provisions for actuarial liabilities

The Bank 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 used in the actuarial calculations, is presented below:

a) Retirement benefits to the employees retired up to 1990 – Centrus

The Centrus Plan is a defined benefit plan whose purpose is to complement the retirement and pension benefits paid by the social welfare system to employees who retired up to 1990. The plan is funded by contributions from both the plan sponsor and the retired employees. The resources are allocated to Centrus, which is responsible for the management of the plan assets and payments. In 2008 the rates of contributions were reduced to 0% for the sponsor and the participants, in view of the plan's actuarial surplus. This plan is winding-down as no new participants are permitted.

b) Retirement benefits to the civil servants retired after 1990 – RJU

The RJU Plan is a defined benefit plan whose purpose is to provide the payment of retirements and pensions in accordance with the Federal Constitution and Law 8,112 of December 11, 1990.

The Bank and its civil servants contribute directly to the Federal Government to guarantee this benefit for the civil servants. However, there is no vinculum between these contributions and the receiving of the benefits. Thus, in view of current law, this plan is funded with the Bank's resources. The asset related to this Plan which was previously under the administration of Centrus was liquidated during 2010.

c) Health-care benefits – Faspe

The Faspe Plan is a defined benefit plan whose purpose is the maintenance of a program aiming to provide funding for the prevention of diseases and the maintenance and recovery of the health of the Bank's employees and their dependents.

The plan is funded by contributions of the plan sponsor and the Bank's employees. The employees also pay a portion of the expenses incurred as prescribed by applicable regulation.

The contributions are allocated to the Faspe Fund, which is responsible for administering the plan's resources and for the payment of the benefits.

d) Actuarial calculations

Provision calculation	Dec 31, 2010			Dec 31, 2009		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of the actuarial obligation with coverage	2,303,023	16,847,922	704,109	2,408,173	14,475,619	710,841
(-) Fair Value of the Plan Assets	(6,579,520)	-	(82,909)	(5,779,620)	(630,867)	(76,821)
Net Actuarial Liability (Asset)	(4,276,497)	16,847,922	621,200	(3,371,447)	13,844,752	634,020
Net Actuarial Liability (Asset) Recognised in the Balance Sheet	(1,839,249)	16,847,922	621,200	(3,371,447)	13,844,752	634,020

d.1) Centrus

The actuarial surplus of the Centrus Plan, referring to the excess of plan assets over the plan obligations, had been recorded in its entirety in the Bank's financial statements accordingly to the real expectation of recoverability of that value, on the grounds that:

(i) there is no longer the possibility of admission of new participants sponsored by the Bank, which will lead to the extinction of its purpose with the death of the last beneficiary or dependent, with the consequent return of the actuarial surplus to the sponsor, in the form of the sole paragraph of Article 4 of the Statute of Centrus; and

(ii) according to Article 13 of Complementary Law 108, of May 29, 2001, any improvement in benefits or any reversal of amounts to participants, beneficiaries or to the sponsor, should be preceded by a favorable manifestation from the Bank.

Based on the Resolution 26 of the Board of Management of Pension Funds – CGPC, of September 29, 2008, the Board of Centrus requested the Bank to offer its views on the proposed reversal of values of the actuarial surplus of the benefit plan. On October 23, 2009, the sole paragraph of Article 4 of the Statute of Centrus was declared void by Ordinance 3,114 of the National Secretariat for Pension Funds – SPC, currently National Superintendence of Pension Funds – Previc. Therefore, before deliberating on the proposal of the Board of Centrus, the Bank bring the matter to the attention of the Attorney-General of the Union – AGU, which in December 2010, settled that the statutory rule is inconsistent with the provisions of Article 20 of Complementary Law 109, of 29 May 2001, which governs the treatment of surplus in benefit plans of the private pension funds, considering applicable the void status declared by the SPC.

For purposes of this financial statement the Bank updated the flow of future economic benefits relating to the actuarial surplus, taking into account the proportionality of contributions between the Bank and the participants, as well as the establishment of a contingency reserve by Centrus, as determined by Resolution CGPC 26, of 2008, without prejudice to future decision on the request for reversal of the surplus value of the benefit Plan of Centrus, currently underway in the Bank.

d.2) RJU

The variation between the two periods is due to the salaries adjustments and revision of indices, mainly reduction in discount rates (see table Actuarial Assumptions below).

d.3) Faspe

The variation between the two periods is basically due reduction of discount rates (see table Actuarial Assumptions below) and an increase of medical costs.

The following tables show the information used for the actuarial calculations and the changes in balances during the period:

Present Value of the Obligations	Dec 31, 2010			Dec 31, 2009		
Reconciliation	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present Value of the Actuarial Obligation at the beginning of the period	2,408,173	14,475,619	710,841	2,407,480	10,074,730	509,109
(+) Service cost for current period	-	280,533	35,866	-	140,217	23,585
(+) Interest cost	263,860	1,588,607	73,338	325,095	1,288,839	59,926
(-) Benefits paid in the period	(283,283)	(818,892)	(135,501)	(270,382)	(712,257)	(126,255)
(+) Participants' contributions	-	-	68,016	-	-	62,273
(+/-) Actuarial (gains) losses	(85,727)	1,322,055	(48,451)	(54,020)	3,684,090	182,203
(=) Present Value of the Actuarial Obligation at the end of the period	2,303,023	16,847,922	704,109	2,408,173	14,475,619	710,841

Plan Assets	Dec 31, 2010			Dec 31, 2009		
Reconciliation	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Fair Value of Plan Assets at the beginning of the period	5,779,620	630,867	76,821	4,890,866	942,364	69,972
(-) Paid benefits	(283,283)	(634,158)	(135,501)	(270,382)	(563,111)	(126,255)
(+) Participants' Contributions	-	-	68,016	-	-	62,273
(+) Sponsor's Contributions	14	-	68,016	-	-	62,273
(+) Expected Return of Plan Assets	707,984	19,777	4,042	791,891	118,013	6,401
(+/-) Actuarial gains (losses)	375,185	(16,486)	1,515	367,245	133,601	2,157
Fair Value of Plan Assets at the end of the period	6,579,520	-	82,909	5,779,620	630,867	76,821

Although the rate of contribution to the plan Centrus has been fixed at 0% since 2008 (note 21.2.a), in 2010 there was a contribution of R$14 due to the revision of the benefit to the assisted.

Plan Assets	Dec 31, 2010			Dec 31, 2009		
Percentage of Composition	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Stocks	36.3%	-	-	34.5%	34.5%	-
Federal Government Securities	56.0%	-	81.5%	55.6%	55.6%	71.7%
Property	2.3%	-	-	4.4%	4.4%	-
Other	5.4%	-	18.5%	5.5%	5.5%	28.3%

Income and Expenses Recognized	31.12.2010			31.12.2009		
in the Income Statement	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Other Expenses						
Service cost of the current period	-	280,533	35,866	-	140,217	23,585
Interest Income						
Expected return of the plan assets	707,984	19,777	4,042	791,891	118,013	6,401
Interest Expenses						
Interest cost	263,860	1,588,607	73,338	325,095	1,288,839	59,926

Actuarial Gains and Losses	Dec 31, 2010			Dec 31, 2009		
Recognized directly in Equity	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Opening balance	**(48,972)**	**(5,590,908)**	**(111,275)**	**(470,236)**	**(2,040,419)**	**68,771**
Recognition	(1,976,337)	(1,338,541)	49,966	421,264	(3,550,489)	(180,046)
Closing balance	**(2,025,309)**	**(6,929,449)**	**(61,309)**	**(48,972)**	**(5,590,908)**	**(111,275)**

Actuarial Assumptions	Dec 31, 2010			Dec 31, 2009		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Financial						
Discount rate	10.60%	10.63%	10.63%	11.20%	11.33%	11.33%
Expected return from plan assets	13.19%	-	8.63%	12.36%	12.36%	6.29%
Inflation rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Rate of contribution for retired employees	-	-	1 a 3%	-	-	1 a 3%
Rate of contribution for plan sponsor	-	-	até 3%	-	-	até 3%
Salary growth expectation	-	7.4%	-	-	6.75%	-
Medical costs trend rate	-	-	9.2%	-	-	12.4%
Non-Financial						
Number of active employees	-	4,882	4,568	-	4,741	4,522
Number of retired employees	857	3,920	4,625	905	3,613	4,407
Number of pensioners	637	306	1,025	627	289	857
Average past service (years)	-	17.6	-	-	20.0	-
Average expected future service (years)	-	15.1	-	-	12.0	-
Average age of active employees	-	47	47	-	48	48
Average age of retired employees	78	62	65	78	61	67
Average age of pensioners	81	58	74	81	61	-
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
Disabled employees mortality table	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC
Disability retirement table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Other information

- the expected yield of the assets of the plans was calculated based on a macroeconomic scenario for the year, as well as the cash flow provided for each type of asset;

- the growth rate of medical costs was calculated based on historical growth of the plan's medical costs in the last five years;

- a change of (+/-) 1% in the medical costs would impact the Faspe Fund as following:

	+1%	-1%
Service and Interest costs	142,289	(108,825)
Obligation	826,657	(627,609)

- The Bank estimates that the payment of its contributions to Faspe in 2011 will amount to R$ 73,509. Contributions to other plans were not accounted for;

- historical information:

	2010	2009	2008	2007
Centrus				
Present value of the Obligations	2,303,023	2,408,173	2,407,480	2,836,096
Fair Value of the Assets	6,579,520	5,779,620	4,890,866	5,929,965
Plan Deficit (surplus)	(4,276,497)	(3,371,447)	(2,483,386)	(3,093,869)
Experience Adjustments arising on the plan liabilities	(180,061)	(298,363)	(115,841)	(111,725)
Experience Adjustments arising on the plan assets	(375,185)	(367,243)	1,708,851	(723,885)
RJU				
Present value of the Obligations	16,847,922	14,475,619	10,074,730	9,394,601
Fair Value of the Assets	-	630,867	942,364	1,784,227
Plan Deficit (surplus)	16,847,922	13,844,752	9,132,366	7,610,374
Experience Adjustments arising on the plan liabilities	(327,340)	1,325,832	2,627,683	(552,159)
Experience Adjustments arising on the plan assets	16,486	(133,600)	473,920	(328,489)
Faspe				
Present value of the Obligations	704,109	710,841	509,109	630,064
Fair Value of the Assets	82,909	76,821	69,972	66,112
Plan Deficit (surplus)	621,200	634,020	439,137	563,952
Experience Adjustments arising on the plan liabilities	303,231	(15,687)	28,152	(105,736)
Experience Adjustments arising on the plan assets	(1,515)	(2,156)	(130)	(500)

22 - CURRENCY IN CIRCULATION

Currency in circulation represents the face value of the amount of banknotes and coins in circulation held by the general public and financial institutions.

The breakdown by denomination of banknotes and coins in circulation is shown below:

	Dec 31, 2010		Dec 31, 2009	
	Quantity	Value (R$ 1,000)	Quantity	Value (R$ 1,000)
Banknotes	**4,813,598,705**	**147,283,711**	**4,433,334,598**	**128,484,521**
R$1.00	153,234,934	153,235	162,268,689	162,269
R$2.00	769,742,510	1,539,485	721,009,780	1,442,019
R$5.00	425,280,361	2,126,402	414,598,515	2,072,992
R$10.00	731,256,040	7,312,560	696,472,142	6,964,721
R$20.00	695,304,211	13,906,084	624,050,486	12,481,010
R$50.00	1,632,642,388	81,632,119	1,522,639,780	76,131,989
R$100.00	406,138,261	40,613,826	292,295,206	29,229,521
Coins	**17,153,504,544**	**3,860,724**	**15,593,641,161**	**3,375,828**
R$0.01	3,190,804,806	31,908	3,190,750,804	31,907
R$0.05	4,031,871,863	201,594	3,597,132,933	179,857
R$0.10	4,462,255,495	446,225	4,017,570,819	401,757
R$0.25	1,898,071,631	474,518	1,678,655,461	419,664
R$0.50	1,728,043,940	864,022	1,533,777,254	766,889
R$1.00	1,842,456,809	1,842,457	1,575,753,890	1,575,754
Commemorative Coins	**-**	**933**	**-**	**836**
Total		**151,145,368**		**131,861,185**

On December 31, 2010, the currency in circulation showed a 14.6% rise when compared with 2009 figures. This rise is mainly associated with the growth of the nominal Gross Domestic Product – GDP and the inflation in the period.

23 - EQUITY

23.1 Capital

The item Capital, formerly named Retained Earnings, consists of the following items:

a) initial capital in the amount of R$14,526, representing the capital transferred to the Bank at the moment of its constitution, adjusted by the monetary correction until December 31, 1995;

b) earnings retained by the Bank up to 1987, and incorporated to its capital, adjusted by the monetary correction until December 31, 1995, amounting to R$2,561,830; and

c) capital increases due to the incorporation of securities issued by the Brazilian Federal Government aiming to rebuild the securities portfolio which total R$22,099,095.

23.2 Reserves

The reserves consist of:

a) income Reserve – limited to 25% of the net income of the period, excluding the result of the foreign exchange equalization;

b) revaluation Reserve – resulting from revaluation, made until 2004, of fixed assets used in business operations. The reserve is realized in accordance with the useful lives of the assets.

23.3 Gains (losses) recognized directly in equity

The amount refers to fair value adjustments of financial assets classified as “available for sale” and the actuarial gains and losses resulting from the provision for post-employment benefits payments.

	Dec 31, 2010	Dec 31, 2009
Federal Government Debt Securities		
Opening balance	2,816,665	2,938,952
Mark-to-market adjustments	(807,206)	253,197
Write-off	(194,369)	(375,484)
Closing balance	1,815,090	2,816,665
Gold		
Opening balance	1,875,652	1,422,579
Mark-to-market adjustments	603,276	453,073
Closing balance	2,478,928	1,875,652
Investments in International Financial Organizations		
Opening balance	(5,590,421)	(2,843,208)
Mark-to-market adjustments	(470,518)	(2,747,213)
Closing balance	(6,060,939)	(5,590,421)
Actuarial gains (losses)		
Opening balance	(5,751,156)	(2,441,884)
Actuarial gains (losses) in the period	(3,264,911)	(3,309,272)
Closing balance	(9,016,067)	(5,751,156)
Total	**(10,782,988)**	**(6,649,260)**

The variation observed in Gains (Losses) Recognized Directly in Equity occurred, mainly, because of the actuarial loss recognized in the period (note 21.2), as well as due to the negative fair value adjustment of the LTN (note 8.2), in view of the rising interest rates scenario.

24 - NET INTEREST INCOME

The net interest income comprises interest on financial assets and liabilities not classified into the “at fair value through profit or loss” category.

	2010	2009
Interest income	**74,023,722**	**58,027,077**
Foreign Currency Operations	**185,687**	**411,728**
Cash and Cash Equivalents	45,111	24,094
Deposits	112,735	15,761
Committment under agreements	19,094	11,939
Loans	7,233	356,716
Other	1,514	3,218
Local Currency Operations	**73,838,035**	**57,615,349**
Debt Securities	71,505,651	53,173,257
Federal Government	1,525,469	-
Other	806,915	4,442,092
Interest expenses	**(94,395,060)**	**(84,464,030)**
Foreign Currency Operations	**(31,050)**	**(477,015)**
Committment under agreements	(7,593)	(464,905)
Loans	(22,724)	(10,742)
Other	(733)	(1,368)
Local Currency Operations	**(94,364,010)**	**(83,987,015)**
Deposits Received from Financial Institutions	(16,563,838)	(3,650,439)
Committment under agreements	(40,472,135)	(42,183,256)
Federal Government	(35,314,862)	(36,436,945)
Other	(2,013,175)	(1,716,375)
Net interest income	**(20,371,338)**	**(26,436,953)**

The variation observed in the interest income is mainly due to:

a) the increase of interest income of local currency securities transactions, due to the increase of the Federal Government Debt Securities portfolio (note 8.2);

b) increase in the interest expenses with deposits of financial institutions which is associated with the increase in the balance of compulsory deposits remunerated by the Selic rate (note 16);

c) reduction in expenditure on payment of the obligations and repurchase agreements with the Federal Government, due to the reduction of the volume of repo transactions undertaken by the Bank to manage liquidity in the market (note 6.2) and reducing the balance of the National Treasury Operating Account (note 9).

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

It refers to the change in the price of assets classified in this category and includes the foreign exchange rate variation, the interests and the mark-to-market adjustments.

	2010	2009
Foreign Currency Operations	**(10,319,790)**	**(113,878,945)**
Debt securities	(10,031,665)	(112,690,794)
Other	(288,125)	(1,188,151)
Local Currency Operations	**48,529,705**	**149,999,969**
Derivatives	48,529,720	149,999,977
Other	(15)	(8)
Total	**38,209,915**	**36,121,024**

It is important to highlight the reduction of the negative fair value adjustment of foreign currencies securities, as well as the result of the exchange equalization operation with the National Treasury (note 29.1), due to the lower magnitude of the foreign exchange rate variation in 2010 compared with the one occurred in 2009.

26 - GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS "AT FAIR VALUE THROUGH PROFIT OR LOSS" – DESIGNATED BY MANAGEMENT

This item includes the interest accrual and the mark-to-market adjustments of the receivables from financial institutions under extrajudicial liquidation (note 10.2).

27 - GAINS (LOSSES) FROM FOREIGN EXCHANGE

This item refers to the foreign exchange rate variation on assets and liabilities denominated in foreign currencies and assets and liabilities in local currency, but linked to foreign exchange rate variations, that are not classified as "at fair value through profit or loss".

	2010	2009
Gains (losses) from foreign exchange		
Cash and Cash Equivalents	(578,413)	(3,879,760)
Time Deposits	(2,842,706)	(671,991)
Committment under agreements	(326,417)	(1,295,710)
Credits Receivable	(34,062)	(3,549,137)
Items in the course of collection	230,611	1,669,515
Liabilities to International Financial Organizatic	385,460	2,642,581
Other	323,444	218,560
Total	**(2,842,083)**	**(4,865,942)**

The variation observed in the period is mainly due to the appreciation of the Real in relation to the main foreign currencies which occurred in a lesser degree than the one verified in the same period of 2009 (note 3.3). Despite the appreciation of the Real, it is also important to note the effects of increased term-deposits in financial institutions abroad (note 5.1) and the liquidation of foreign currency loans conceded by the Bank in order to provide liquidity to the financial system during the international financial crisis (note 10.1).

28 - OTHER INCOME AND EXPENSES

	2010	2009
Other Income	**1,922,129**	**2,035,058**
Fines	104,206	116,149
Transfer under the Budget Law by the National Treas	1,241,951	1,179,531
Court-ordered payables	52,266	45,935
Reversal of provisions for legal claims	297,358	274,301
Fees	181,814	157,323
Other	44,534	261,819
Other Expenses	**(2,935,286)**	**(2,667,072)**
Personnel	(1,563,814)	(1,355,171)
Cost of production and distribution of currency	(803,091)	(859,062)
Provision for legal claims (note 22.1)	(288,142)	(193,342)
Depreciation	(35,515)	(38,437)
Other administrative expenses	(244,724)	(221,060)

29 - NET INCOME

29.1 Profit and loss of the period

The result of the period was positive in R$15,729,970 (R$5,609,044 in 2009) and it results, mainly, from net interest result from local market currency operations and from mark-to-market of receivables from financial institutions under extrajudicial liquidation, since the result with international reserves and part of the funding cost of the Bank, proportional to the amount of reserves was neutralized by the foreign exchange equalization operation, as shown below:

	2010	2009
International Reserves Operations and Swaps	**-**	**-**
Profitability of the International Reserves	(13,282,563)	(119,637,051)
Foreign Exchange Derivatives – Swaps in Local Currency	-	2,281,085
Foreign Exchange Equalization of Reserves and Derivatives	13,282,563	117,355,966
Other Operations in Foreign Currencies	**275,327**	**826,878**
Local Currency Operations	**16,467,814**	**5,414,189**
Interest	(20,525,976)	(26,371,667)
Mark-to-Market - Financial Institutions under Extra-Judicial Liquidation	1,746,633	1,422,929
Foreign Exchange Equalization of Reserves and Derivatives (Cost of Funding)	35,247,157	30,362,927
Other Operations in Local Currencies	**(1,013,171)**	**(632,023)**
Net income (loss)	**15,729,970**	**5,609,044**

The result of the first semester (R$10,803,195) was transferred to the National Treasury in September 2010 and the result of the second semester (R$4,926,775) will be transferred not later than the tenth business day subsequent to the approval of these financial statements by the CMN (note1).

29.2 Comprehensive income

The Statement of Comprehensive Income has the objective of disclosing the economic result of the reporting entity, broadening the level of disclosure of the results beyond the concept of accounting result, which is usually shown via the Income Statement.

So as to render the result an extended level of transparency, the Statement of Comprehensive Income contain information about gains and losses recognized directly into equity, whose items are shown in note 23.3.

30 - CASH AND CASH EQUIVALENTS

In the Statement of Cash Flows, the item "Cash and cash equivalents", in addition to cash in specie, also comprises demand deposits and short-term time deposits at financial institutions, as shown in the following table:

	Dec 31, 2010	Dec 31, 2009
Cash	**113,473**	**39,670**
Demand deposits	**8,106,042**	**8,325,896**
Uncommitted deposits	7,596,307	7,998,128
Foreign currencies to be received	509,735	327,768
Short-term deposits	**5,646,416**	**5,499,005**
Total Cash and Cash Equivalents (note 4)	**13,865,931**	**13,864,571**

31 - RISK MANAGEMENT

The Bank uses financial instruments to achieve the objectives of the monetary policy and also to manage the international reserves. Hence, the core objective in carrying those assets is not to make profit but rather to hold adequate instruments for the enhanced performance of its functions as a monetary authority. In view of that, the Bank's risk management policy differs from the policies of other institutions.

For this purpose, the Bank holds two large portfolios of financial instruments that have distinct characteristics and are subject to different risk administration policies:

a) Financial instruments held in order to manage the international reserves:

Brazil keeps its international reserves with the intention of guaranteeing the repayment of the short-term foreign sovereign debt while also contributing to reducing both the vulnerability of the Brazilian economy to external shocks and the perception of risk by foreign investors.

In investing the international reserves the Bank aims at achieving liquidity, security and profitability in-line with its overall objectives, through diversification of the financial instruments portfolio it maintains. To that end, the Board of Directors established a reference portfolio that reflects its long-term goals and preferences with regard to the risk-return ratio, restrictions on the liquidity and, also, as to operational limits to be observed in the investment process.

b) Financial instruments held in order to carry out the monetary policy:

Composed mainly of operations with federal government debt securities and swaps, the portfolio of securities issued by the National Treasury is managed primarily in order to fulfill the objectives of the monetary and foreign exchange policies, usually by means of open market operations, while the foreign exchange rate swaps target to enhance achieve the hedging capability of the economic agents and to correct possible distortions in the foreign exchange coupon curve.

Notes 32 to 35 show the main risks to which both portfolios of financial instruments are exposed as well as the Bank's policy for the management of those risks.

32 - CREDIT RISK

Credit risk is defined as the possibility of loss related to a counterparty default.

a) Financial instruments held in order to manage the international reserves:

To control the credit risk of financial instruments used in international reserves operations two types of limits have been established by the Board: a limit by counterparty and a limit for the portfolio as a whole. The selection of counterparties and eligible issuers is based on criteria for risk rating, according to Moody's, maximum amounts under exposure and maximum period of exposure. The level of credit risk in the portfolio is a function of portfolio composition and credit quality of counterparties. The quality of the credit is expressed by the rating defined by Moody's. The credit risk, measured by the expected default, is a function of the rating, the amount and term of investments.

In the relation to with fixed-term deposits operations, the Board sets the selection criteria and exposure limits. The maximum allocation volume for the deposit portfolio is up 5% of total international reserves. For financial institutions, the limits are defined in terms of minimum rating of the counterparty: A for long term and P-1 for short-term, according to the classification of Moody's; maximum allocation for counterpart (minimum of US$1.5 billion and 1% of total assets of the counterparty) and maximum exposure (6 months).

It is worth noting that, given the instability caused by the crisis in international financial markets since mid 2007, with the consequent liquidity crisis and the significant increase in credit risk of financial institutions, the Bank took several temporary and prudential measures in relation to the application of its international reserves, so as to reduce exposure to banking credit risk, including a reduction in the volume and term of deposits. Currently, these operations are subject to a maximum term of one week, having as counterparties institutions rated at least Aa by Moody's. Deposits contracted with the BIS, with the European Central Bank or with other central banks of countries classified as Aaa by Moody's long-term rating do not impact the volume mentioned above and have a maximum term of six months.

Regarding sovereign bonds issued by agencies and supranational organizations, the limits are also defined in terms of minimum rating of the counterparty (long term, according to the classification of Moody's), limit of participation in the issuance of securities and period of maximum exposure.

In respect to security operations, the Bank operates sovereign securities, and the minimum acceptable rating for the issuer is Aa, and securities issued by agencies and supranational organizations, whose minimum rating is Aaa. Of the total investments in securities, at least 65% must be allocated in sovereign bonds and a maximum of 25% can be allocated in agency securities and 25% in securities of supranational agencies, multilateral organizations and in the BIS.

With respect to operations with derivatives, they must comply with the minimum rating criteria for the counterparty and to the limits fixed for the portfolio as a whole.

b) Financial instruments held in order to carry out the monetary policy:

The Bank’s securities portfolio is composed exclusively of securities issued by the Federal Government (note 8.2), considered risk-free instruments, which are used, mainly, for the carrying out of repo and reverse repo transactions (note 6.2).

The swap contracts are recorded in the BM&F Bovespa, a clearinghouse that is the central counterparty in such operations. The BM&F Bovespa’s credit risk policy requires collateral from every participating entity.

The amount of collateral is calculated using stress tests that consider the total possible losses until the settlement of the contracts. The assets accepted as collateral instruments are federal government debt securities, bank guarantees, certificates of deposit, equity securities, gold and cash, among others. The majority of the participants of the clearinghouse, including the Bank, collateralize their trades through the assignment of federal government debt securities, which, for conservatism, are assessed using a calculation formula that imputes discounts relative to market prices.

c) The concentration of investments in geographical areas is presented in the following table:

	Dec 31, 2010	Dec 31, 2009
Brazil	793,180,973	725,820,935
European Union	119,658,915	82,797,249
United States of America	329,481,025	318,933,056
Others	45,319,784	25,840,865
Total	**1,287,640,697**	**1,153,392,105**

d) The following table shows the concentration of investments in counterparties:

Dec 31, 2010

	Financial Institutions	International Financial	Government Institutions	Other	Total
Cash and Cash Equivalents	5,637,375	8,110,911	117,645	-	13,865,931
In foreign currencies	5,637,375	8,110,911	117,645	-	13,865,931
Deposits	2,301,703	24,760,287	22,584,408	-	49,646,398
In foreign currencies	1,685,241	24,760,287	22,584,408	-	49,029,936
In local currency	616,462	-	-	-	616,462
Financial Assets Purchased Under Resell Agreements	8,383,977	-	-	-	8,383,977
In foreign currencies	8,383,977	-	-	-	8,383,977
Derivatives	23,226	-	-	-	23,226
In foreign currencies	23,226	-	-	-	23,226
Debt securities	-	8,525,667	1,079,795,605	27,628,324	1,115,949,596
In foreign currencies	-	8,525,667	376,619,962	27,628,324	412,773,953
In local currency	-	-	703,175,643	-	703,175,643
Receivables from the Federal Government	-	-	48,634,152	-	48,634,152
Credits Receivable	8,714,410	1,642,664	-	30,366,151	40,723,225
In foreign currencies	-	1,642,664	-	6,733	1,649,397
In local currency	8,714,410	-	-	30,359,418	39,073,828
Investments in International Financial Organizations	-	7,852,633	-	-	7,852,633
Other	1,099	-	2,529,661	30,799	2,561,559
In foreign currencies	1,099	-	2,529,661	-	2,530,760
In local currency	-	-	-	30,799	30,799
Total Assets	**25,061,790**	**50,892,162**	**1,153,661,471**	**58,025,274**	**1,287,640,697**

Dec 31, 2009

	Financial Institutions	International Financial Organizations	Government Institutions	Other	Total
Cash and Cash Equivalents	5,530,620	7,854,580	479,402	-	13,864,602
In foreign currencies	5,530,589	7,854,580	479,402	-	13,864,571
In local currency	31	-	-	-	31
Deposits	3,436,501	9,602,473	-	-	13,038,974
In foreign currencies	2,824,256	9,602,473	-	-	12,426,729
In local currency	612,245	-	-	-	612,245
Financial Assets Purchased Under Resell Agreements	6,048,730	-	-	-	6,048,730
In foreign currencies	6,048,730	-	-	-	6,048,730
Derivatives	68,364	-	-	-	68,364
In foreign currencies	68,364	-	-	-	68,364
Debt securities	-	7,670,474	1,002,477,314	15,974,609	1,026,122,397
In foreign currencies	-	7,670,474	362,261,396	15,974,609	385,906,479
In local currency	-	-	640,215,918	-	640,215,918
Receivables from the Federal Government	-	-	53,932,939	-	53,932,939
Credits Receivable	1,314,069	-	-	28,602,438	29,916,507
In foreign currencies	951,296	-	-	543	951,839
In local currency	362,773	-	-	28,601,895	28,964,668
Investments in International Financial Organizations	-	8,323,152	-	-	8,323,152
Other	1,215,985	-	829,455	31,000	2,076,440
In foreign currencies	1,215,985	-	829,455	-	2,045,440
In local currency	-	-	-	31,000	31,000
Total Assets	**17,614,269**	**33,450,679**	**1,057,719,110**	**44,608,047**	**1,153,392,105**

33 - MARKET RISK

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

a) Financial instruments held in order to manage the international reserves:

The market risk of the international reserves is monitored using the Value at Risk (VaR) methodology. On a daily basis, various limits authorized by the Board of Directors are observed. Deviations from a reference portfolio are allowed so as to take advantage of market opportunities as they arise. The model used to calculate VaR is based on RiskMetrics, with 95% level of confidence. Quarterly back testing is performed upon presentation of the Bank's results to the Board of Directors.

b) Financial instruments held in order to carry out the monetary policy:

The market risk of these instruments is continuously monitored by means of the VaR calculated for the Bank, which includes all exposures shown in the balance sheet.

33.1 Interest rate risk

This is defined as the risk resulting from the variations in interest rates, which affect the fair value of fixed-rate financial instruments and the future cash flows of those paying variable rates. The following table shows the Bank's exposure to both types of risk.

	Dec 31, 2010		Dec 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Fixed-rate	710,782,396	166,940,533	651,637,577	384,211,820
Variable rate	564,119,260	869,184,794	490,334,082	559,699,214
Interest free	12,739,041	66,904,202	11,420,446	44,518,855
Total	**1,287,640,697**	**1,103,029,529**	**1,153,392,105**	**988,429,889**

The table below presents the financial instruments of the Bank's portfolio according to their maturity date (fixed-rate) or according to their repricing date (variable rate). The measurement of these assets is described in note 3.4.5.

Dec 31, 2010

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Interest free	Total
Assets							
Cash and Cash Equivalents	13,109,245	-	-	-	-	756,686	13,865,931
In foreign currencies	13,109,245	-	-	-	-	756,686	13,865,931
Deposits	27,058,480	22,587,918	-	-	-	-	49,646,398
In foreign currencies	26,442,018	22,587,918	-	-	-	-	49,029,936
In local currency	616,462	-	-	-	-	-	616,462
Financial Assets Purchased Under Resell Agreements	7,472,860	911,117	-	-	-	-	8,383,977
In foreign currencies	7,472,860	911,117	-	-	-	-	8,383,977
Derivatives	-	-	-	-	-	23,226	23,226
In foreign currencies	-	-	-	-	-	23,226	23,226
Debt securities	521,286,721	32,504,250	70,898,770	426,466,274	64,793,581	-	1,115,949,596
In foreign currencies	3,929,977	32,504,250	15,882,816	338,487,561	21,969,349	-	412,773,953
In local currency	517,356,744	-	55,015,954	87,978,713	42,824,232	-	703,175,643
Receivables from the Federal Government	48,633,518	-	-	-	-	634	48,634,152
Credits Receivable	30,073,268	-	7,463,798	1,641,856	-	1,544,303	40,723,225
In foreign currencies	7,541	-	-	1,641,856	-	-	1,649,397
In local currency	30,065,727	-	7,463,798	-	-	1,544,303	39,073,828
Investments in International Financial Organizations	-	-	-	-	-	7,852,633	7,852,633
Other	-	-	-	-	-	2,561,559	2,561,559
In foreign currencies	-	-	-	-	-	2,530,760	2,530,760
In local currency	-	-	-	-	-	30,799	30,799
Total Assets (A)	**647,634,092**	**56,003,285**	**78,362,568**	**428,108,130**	**64,793,581**	**12,739,041**	**1,287,640,697**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	985,147	985,147
In foreign currencies	-	-	-	-	-	459,426	459,426
In local currency	-	-	-	-	-	525,721	525,721
Deposits Received from Financial Institutions	312,411,921	-	7,463,798	-	1,185	59,565,895	379,442,799
In foreign currencies	-	-	-	-	1,185	-	1,185
In local currency	312,411,921	-	7,463,798	-	-	59,565,895	379,441,614
Financial Assets Sold Under Repurchase Agreements	260,607,186	36,451,018	-	-	-	-	297,058,204
In foreign currencies	7,483,111	909,194	-	-	-	-	8,392,305
In local currency	253,124,075	35,541,824	-	-	-	-	288,665,899
Derivatives	-	-	-	-	-	17,119	17,119
In foreign currencies	-	-	-	-	-	17,119	17,119
Payables to the Federal Government	410,521,771	-	-	-	-	-	410,521,771
Accounts Payable	1,257,423	4,515	-	-	7,406,510	172,415	8,840,863
In foreign currencies	194,115	4,515	-	-	7,406,510	(12,855)	7,592,285
In local currency	1,063,308	-	-	-	-	185,270	1,248,578
Deposits Received from International Financial Organizati	-	-	-	-	-	6,133,371	6,133,371
In foreign currencies	-	-	-	-	-	6,132,430	6,132,430
In local currency	-	-	-	-	-	941	941
Other	-	-	-	-	-	30,255	30,255
In local currency	-	-	-	-	-	30,255	30,255
Total Liabilities (B)	**984,798,301**	**36,455,533**	**7,463,798**	**-**	**7,407,695**	**66,904,202**	**1,103,029,529**
Net Position (A - B)	**(337,164,209)**	**19,547,752**	**70,898,770**	**428,108,130**	**57,385,886**	**(54,165,161)**	**184,611,168**

Dec 31, 2009

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Interest free	Total
Assets							
Cash and Cash Equivalents	13,488,383	-	-	-	-	376,219	13,864,602
In foreign currencies	13,488,383	-	-	-	-	376,188	13,864,571
In local currency	-	-	-	-	-	31	31
Deposits	13,038,974	-	-	-	-	-	13,038,974
In foreign currencies	12,426,729	-	-	-	-	-	12,426,729
In local currency	612,245	-	-	-	-	-	612,245
Financial Assets Purchased Under Resell Agreement	5,768,775	279,955	-	-	-	-	6,048,730
In foreign currencies	5,768,775	279,955	-	-	-	-	6,048,730
Derivatives	-	-	-	-	-	68,364	68,364
In foreign currencies	-	-	-	-	-	68,364	68,364
Debt securities	446,477,838	90,365,135	36,166,429	419,875,510	33,237,485	-	1,026,122,397
In foreign currencies	134,570	75,675,037	7,325,789	294,407,273	8,363,810	-	385,906,479
In local currency	446,343,268	14,690,098	28,840,640	125,468,237	24,873,675	-	640,215,918
Receivables from the Federal Government	53,931,576	-	-	-	-	1,363	53,932,939
Credits Receivable	28,390,303	951,296	-	-	-	574,908	29,916,507
In foreign currencies	543	951,296	-	-	-	-	951,839
In local currency	28,389,760	-	-	-	-	574,908	28,964,668
Investments in International Financial Organizations	-	-	-	-	-	8,323,152	8,323,152
Other	-	-	-	-	-	2,076,440	2,076,440
In foreign currencies	-	-	-	-	-	2,045,440	2,045,440
In local currency	-	-	-	-	-	31,000	31,000
Total Assets (A)	**561,095,849**	**91,596,386**	**36,166,429**	**419,875,510**	**33,237,485**	**11,420,446**	**1,153,392,105**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	639,137	639,137
In foreign currencies	-	-	-	-	-	391,691	391,691
In local currency	-	-	-	-	-	247,446	247,446
Deposits Received from Financial Institutions	60,185,054	-	-	-	470	36,892,456	97,077,980
In foreign currencies	-	-	-	-	470	-	470
In local currency	60,185,054	-	-	-	-	36,892,456	97,077,510
Financial Assets Sold Under Repurchase Agreements	434,041,230	26,716,896	-	-	-	-	460,758,126
In foreign currencies	5,750,076	298,372	-	-	-	-	6,048,448
In local currency	428,291,154	26,418,524	-	-	-	-	454,709,678
Derivatives	-	-	-	-	-	63,055	63,055
In foreign currencies	-	-	-	-	-	63,055	63,055
Payables to the Federal Government	413,807,893	-	-	-	-	-	413,807,893
Accounts Payable	1,292,326	5,160	5,435	4,011	7,852,559	173,995	9,333,486
In foreign currencies	254,720	5,160	5,435	4,011	7,852,559	-	8,121,885
In local currency	1,037,606	-	-	-	-	173,995	1,211,601
Deposits Received from International Financial Organizati	-	-	-	-	-	6,726,437	6,726,437
In foreign currencies	-	-	-	-	-	6,725,871	6,725,871
In local currency	-	-	-	-	-	566	566
Other	-	-	-	-	-	23,775	23,775
In foreign currencies	-	-	-	-	-	784	784
In local currency	-	-	-	-	-	22,991	22,991
Total Liabilities (B)	**909,326,503**	**26,722,056**	**5,435**	**4,011**	**7,853,029**	**44,518,855**	**988,429,889**
Net Position (A - B)	**(348,230,654)**	**64,874,330**	**36,160,994**	**419,871,499**	**25,384,456**	**(33,098,409)**	**164,962,216**

33.2 Exchange rate risk

Exchange rate risk is defined as the possibility of loss resulting from variations in foreign exchange rates. The Bank has financial assets and liabilities in foreign currencies or linked to foreign exchange rate, being this type of risk inherent to their operations.

As at December 31, 2010, the distribution of assets and liabilities by currency was the following:

Dec 31, 2010

	US$	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Other	Total
Assets								
Cash and Cash Equivalents	4,645,016	575,724	335,550	144,546	705,142	7,417,534	42,419	13,865,931
Time Deposits Placed with Financial Institutions	46,826,199	-	659,317	1,544,420	-	-	-	49,029,936
Financial Assets Purchased Under Resell Agreements	7,872,133	18,453	216,970	-	211,594	-	64,827	8,383,977
Derivatives	7,880	3,757	57	3,776	6,063	-	1,693	23,226
Debt Securities	333,250,223	20,765,783	27,223,755	11,075,059	14,226,685	-	6,232,448	412,773,953
Credits Receivable	6,733	-	-	-	-	1,642,664	-	1,649,397
Investments in International Financial Organizations	-	-	-	-	-	7,852,633	-	7,852,633
Other	2,530,760	-	-	-	-	-	-	2,530,760
Total Assets (A)	**395,138,944**	**21,363,717**	**28,435,649**	**12,767,801**	**15,149,484**	**16,912,831**	**6,341,387**	**496,109,813**
Liabilities								
Items in the Course of Collection	-	-	-	-	459,426	-	-	459,426
Deposits Received from Financial Institutions	1,185	-	-	-	-	-	-	1,185
Financial Assets Sold Under Repurchase Agreements	7,670,685	117,251	-	18,107	210,217	-	376,045	8,392,305
Derivatives	9,180	1,889	-	-	5,108	-	942	17,119
Accounts Payable	181,260	-	-	-	-	7,411,025	-	7,592,285
Deposits Received from International Financial Organizations	94,085	-	-	-	-	6,038,328	17	6,132,430
Total Liabilities (B)	**7,956,395**	**119,140**	**-**	**18,107**	**674,751**	**13,449,353**	**377,004**	**22,594,750**
Net position (A - B)	**387,182,549**	**21,244,577**	**28,435,649**	**12,749,694**	**14,474,733**	**3,463,478**	**5,964,383**	**473,515,063**

Dec 31, 2009

	US$	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Other	Total
Assets								
Cash and Cash Equivalents	5,043,657	582,099	355	281,890	1,982	7,854,580	100,008	13,864,571
Time Deposits Placed with Financial Institutions	9,890,339	1,253,377	71,622	1,016,447	194,944	-	-	12,426,729
Financial Assets Purchased Under Resell Agreements	5,760,045	69,260	82,895	62,111	74,419	-	-	6,048,730
Derivatives	59,199	9,165	-	-	-	-	-	68,364
Debt Securities	318,739,629	26,183,560	14,323,517	13,292,158	6,919,139	-	6,448,476	385,906,479
Credits Receivable	951,839	-	-	-	-	-	-	951,839
Investments in International Financial Organizations	-	-	-	-	-	8,323,152	-	8,323,152
Other	2,045,440	-	-	-	-	-	-	2,045,440
Total Assets (A)	**342,490,148**	**28,097,461**	**14,478,389**	**14,652,606**	**7,190,484**	**16,177,732**	**6,548,484**	**429,635,304**
Liabilities								
Items in the Course of Collection	45,661	302,925	-	-	43,105	-	-	391,691
Deposits Received from Financial Institutions	470	-	-	-	-	-	-	470
Financial Assets Sold Under Repurchase Agreements	5,940,558	50,132	-	17,222	-	-	40,536	6,048,448
Derivatives	59,220	3,835	-	-	-	-	-	63,055
Accounts Payable	268,594	-	-	-	-	7,853,291	-	8,121,885
Deposits Received from International Financial Organizations	116,701	-	-	-	-	6,608,180	990	6,725,871
Other	784	-	-	-	-	-	-	784
Total Liabilities (B)	**6,431,988**	**356,892**	**-**	**17,222**	**43,105**	**14,461,471**	**41,526**	**21,352,204**
Net position (A - B)	**336,058,160**	**27,740,569**	**14,478,389**	**14,635,384**	**7,147,379**	**1,716,261**	**6,506,958**	**408,283,100**

33.3 Foreign exchange equalization

The foreign exchange equalization operation was established by Law 11,803, of November 5, 2008, having as main objectives to give greater transparency to the results of operations of the monetary authority and to reduce the volatility of the Bank results, generated by the growing currency mismatch between foreign currency assets and liabilities. This volatility affects the analysis of the result of monetary policy operations, which is the main purpose of the institution, by the national and international economic agents.

This operation transfers to the Federal Government, through the National Treasury, the cost of maintaining the international reserves and the result of foreign exchange rate swap transactions carried out in the domestic market. These amounts are reckoned daily and the balance payable or receivable is calculated on the last business day of the semester. This amount will be settled under the same rules established for the transfer or coverage of the Bank result (note 37.a).

a) Equalization of the international reserves maintenance cost

The Bank is on the asset side with respect to the international reserves funding cost, represented by the funding rate of the total liabilities, and on the liability side with respect to the foreign exchange rate variation plus interest on the international reserves portfolio. As a result, the equalization works as an instrument to provide foreign exchange and interest rate hedges for the Bank, reducing its exposure to foreign currency and ensuring coverage of the international reserves maintenance cost.

The table below shows the net position of the Bank in foreign currency, as at December 31, 2010, adjusted by the position taken in the foreign exchange equalization operation:

Net position in foreign currency	473,515,063
Foreign exchange equalization	(481,179,490)
Exposure to foreign currency	**(7,664,427)**

Concerning the interest rates, the result obtained by the Bank in the operations of foreign exchange equalization, based on the average balance of international reserves in the period, was positive by 5.86%, since the funding cost, covered by the National Treasury, was 7.74%, while the interest result (including the mark-to-market adjustments) of international reserves, transferred to the Treasury, was positive by 1.88%.

b) Equalization of the foreign exchange rate swap carried out in the domestic market

The Bank carries out swap transactions with the National Treasury with opposite characteristics of the foreign exchange rate swaps conducted in the domestic market, achieving a perfect hedge, since notional amounts and rates are identical, but with the position reversed.

Considering the equalization, the foreign exchange rate swaps conducted in the domestic market do not expose the Bank to foreign exchange or interest rate risks.

33.4 VaR analysis

The Value at Risk (VaR) provides a sensitivity analysis of the result that reflects the interdependence between risk variables (e.g. interest rates and foreign exchange rates). The Bank's VaR was calculated using the model based on the RiskMetrics, with a confidence level of 95%, and the historical series of daily results of the Bank. The parameters of the decay factor used in the calculation of the VaR determine that the daily calculation be based on the 68 preceding business days.

The daily VaR of the foreign currency operations, as of the end of 2010, was 0.049%, scaled to 0.777% annually, thus, by means of these operations, with a 95% confidence level, the Bank would not have an annual loss greater than 0.777% of its assets. The average daily VaR of the institution in relation to 2010 was 0.039% (annually, 0.619% of the total assets).

34 - LIQUIDITY RISK

Liquidity risk contemplates eventual difficulties in trading securities in a secondary market; such that the market is not capable of absorbing the volume that one wishes to negotiate without causing relevant price changes.

a) Financial instruments held in order to manage the international reserves:

The Bank's liquidity risk management policy aims at guaranteeing that the Bank will be able to meet all of its financial obligations. Therefore, so as to guarantee the marketability on the secondary market of the portfolio, and to prevent the occurrence of abrupt price movements, the Bank's liquidity risk management policy comprises management of the diversification of maturities and the establishment of limits. Hence, the policy ensures immediate liquidity even for issues with longer maturities.

b) Financial instruments held in order to carry out the monetary policy:

In view of its attributions as the monetary authority, which include management of the liquidity of the financial system, the Bank is not subject to the limitations stemming from unmatched maturities between assets and liabilities denominated in local currency.

c) Maturity:

The following table presents the contractual maturities of foreign currency financial assets and liabilities:

Dec 31, 2010

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	13,865,931	-	-	-	-	13,865,931
Time Deposits Placed with Financial Institutions	26,442,018	22,587,918	-	-	-	49,029,936
Financial Assets Purchased Under Resell Agreements	7,472,860	911,117	-	-	-	8,383,977
Derivatives	12,195	11,031	-	-	-	23,226
Debt Securities	3,929,977	32,504,250	15,882,816	338,487,561	21,969,349	412,773,953
Credits Receivable	6,733	808	-	1,641,856	-	1,649,397
Investments in International Financial Organizations (*)	-	-	-	-	7,852,633	7,852,633
Other (*)	1,099	-	-	-	2,529,661	2,530,760
Total Assets (A)	**51,730,813**	**56,015,124**	**15,882,816**	**340,129,417**	**32,351,643**	**496,109,813**
Liabilities						
Items in the Course of Collection	459,426	-	-	-	-	459,426
Deposits Received from Financial Institutions	-	-	-	-	1,185	1,185
Financial Assets Sold Under Repurchase Agreement	7,483,111	909,194	-	-	-	8,392,305
Derivatives	6,950	10,169	-	-	-	17,119
Accounts Payable	181,256	4,515	-	-	7,406,514	7,592,285
Deposits Received from International Financial Organizations	-	-	-	-	6,132,430	6,132,430
Total Liabilities (B)	**8,130,743**	**923,878**	**-**	**-**	**13,540,129**	**22,594,750**
Net Position (A - B)	**43,600,070**	**55,091,246**	**15,882,816**	**340,129,417**	**18,811,514**	**473,515,063**

(*) The interest in International Financial Organizations, the SDR and the Gold were classified in a ">5 years" duration, for they do not have expiration date.

Dec 31, 2009

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	13,864,571	-	-	-	-	13,864,571
Time Deposits Placed with Financial Institutions	12,426,729	-	-	-	-	12,426,729
Financial Assets Purchased Under Resell Agreement	5,768,775	279,955	-	-	-	6,048,730
Derivatives	31,839	36,525	-	-	-	68,364
Debt Securities	134,570	75,675,037	7,325,789	294,407,273	8,363,810	385,906,479
Credits Receivable	543	951,296	-	-	-	951,839
Investments in International Financial Organizations (*)	-	-	-	-	8,323,152	8,323,152
Other (*)	-	-	-	-	2,045,440	2,045,440
Total Assets (A)	**32,227,027**	**76,942,813**	**7,325,789**	**294,407,273**	**18,732,402**	**429,635,304**
Liabilities						
Items in the Course of Collection	305,066	86,625	-	-	-	391,691
Deposits Received from Financial Institutions	-	-	-	-	470	470
Financial Assets Sold Under Repurchase Agreement	5,750,076	298,372	-	-	-	6,048,448
Derivatives	29,759	33,296	-	-	-	63,055
Accounts Payable	254,720	5,160	5,435	4,011	7,852,559	8,121,885
Deposits Received from International Financial Organizations	-	-	-	-	6,725,871	6,725,871
Other	784	-	-	-	-	784
Total Liabilities (B)	**6,340,405**	**423,453**	**5,435**	**4,011**	**14,578,900**	**21,352,204**
Net Position (A - B)	**25,886,622**	**76,519,360**	**7,320,354**	**294,403,262**	**4,153,502**	**408,283,100**

(*) The interest in International Financial Organizations, the SDR and the Gold were classified in a ">5 years" duration, for they do not have expiration date.

35 - OPERATIONAL RISK

Operational risk contemplates the possibility of financial loss, damage to reputation or inability to achieve the goals of the business, resulting from one or more causes of risk, caused by human factors, deficient or inadequate processes or systems, or yet, generated by external events. In controlling and preventing the occurrence of this risk, the Bank has internal control systems according to the characteristics of its activities. The Bank's bylaw establishes the scope of each department and the attributions and duties of each one of their managerial personnel (Internal Rules and Organization and Administration Manual). There are also internal regulations that define criteria and procedures for every activity performed by the Bank.

The Internal Audit Department regularly enforces compliance with internal regulations and the applicability of the internal control systems.

In addition, the heads of the departments certify, half-yearly, on the consistency of the internal controls in relation to the operations performed under their supervision. This procedure permits the Deputy Governor for Administration and the Head of the Accounting and Financial Administration Department to issue a statement of responsibility to the external audit firm on behalf of the Bank on the quality of the internal controls.

36 - RELATED PARTIES

In accordance with IAS 24 – Related Party Disclosures, the following institutions are related parties of the Bank:

36.1 Federal Government

The Bank, a federal government agency linked to the Ministry of Finance, is part of the National Financial System – SFN. Therefore, it is subject to the rulings of the CMN. The CMN, the highest deliberative body of the SFN, formulates the directives for monetary, credit and foreign exchange policies, and the characteristics of the monetary and foreign exchange rate policies instruments. The CMN also rules on the operations and procedures of financial institutions as well as on their supervision and is responsible for approving the Bank's financial statements and accounting systems.

The Governor and the Board of Directors of the Bank, who do not hold fixed-term mandates, are appointed by the President of the Republic and accredited by the National Congress.

The National Congress approves the budgetary provisions for the Bank's expenditures on maintenance. The financial execution of these provisions must be within the limits established by the Executive Branch of the Federal Government.

The Federal Constitution and subsequent pertinent legislation regulate all transactions occurring between the Bank and the National Treasury, the most important of which are the following:

a) National Treasury operating account:

The financial resources of the Brazilian Federal Government must be deposited in the Bank in an interest-bearing demand deposit account that pays interest equivalent to the average yield of the Brazilian federal government debt securities that the Bank holds in its portfolio (note 9), excluding mark-to-market adjustments. In 2010, the aforementioned yield was 11.44% (11.16% in 2009).

b) The Bank's results:

The positive result of the Bank, after constitution or reversal of reserves, is considered an obligation the Bank has to the National Treasury and must be settled not later than the tenth business day subsequent to approval of the Bank's financial statements by the CMN. The negative results constitute a right of the Bank against the National Treasury that must be received not later than the tenth business day of the year subsequent to approval of the financial statements. Both amounts are updated until the date of the effective transfer and are remunerated by the same interest rate paid on the National Treasury operating account (notes 9 and 37.a).

c) Foreign exchange equalization:

The foreign exchange equalization, implemented by Law 11,803/2008, has as main objectives to give greater transparency to the results of operations of the monetary authority and reduce the volatility of its results, derived from the increasing unmatched balances between foreign currency assets and liabilities. This volatility affects the analysis, by national and international economic agents, of the performance of the monetary policy, the main function of the institution.

d) Transfer under Budget Law:

The Bank makes use of the resources received under the Budget Law to pay for part of its administrative expenses.

e) Payment of Lawsuits:

The payments of lawsuits in which the Federal Government or any of its agencies are a party have been centralized under the responsibility of the courts where they are coursed. Those courts have to deal with the budgetary and financial issues, i.e., they must obtain authorization and make the payments. The Bank no longer uses its resources to pay for those obligations (notes 17.2 and 21.1).

f) Utilization of Securities as a Monetary Policy Tool:

In the execution of the monetary policy the Bank uses federal government debt securities. The transactions with securities between the National Treasury and the Bank always occur at market prices.

g) Rendering of Services in the placement of Treasury Securities:

The Bank acts as an agent for the National Treasury in the placement of federal government debt securities, although the former defines the terms and conditions of the operations.

h) Fundo Soberano do Brasil:

The Fundo Soberano do Brasil – FSB, a Sovereign Fund, created by Law 11,887 of December 24, 2008, is a special fund of accounting and financial nature, linked to the Ministry of Finance. Its purposes are: (i) to promote investments in assets in Brazil and abroad; (ii) to produce public savings; (iii) to mitigate the effects of economic cycles; and (iv) to encourage projects of strategic interest of the country located abroad. The modality, timing, and nature of the investments of the FSB are approved by the Advisory Board of the FSB – CDFSB, which is composed of the Minister of Finance, Minister of State for Planning, Budget and Management, and Governor of the Central Bank. According to Resolution CDFSB 2, of September 17, 2010, the Treasury was authorized to apply the resources of the fund in the purchase or sale of foreign currencies or in the conduction of other foreign exchange transactions, including derivative contracts, under agreement to be signed with the Bank. However, until December 31, 2010, no agreement had been signed between the National Treasury and the Bank for this purpose.

The table below shows the main operations undertaken during the period between the Bank and the Federal Government:

	2010	2009
National Treasury Operating Account		
Opening balance	406,354,420	255,216,726
(+) remuneration	34,823,522	32,395,550
(+/-) deposits/redemptions	(54,342,354)	(66,610,762)
(+) positive result transferred	17,680,810	185,352,906
Closing balance	404,516,398	406,354,420
Federal Government Debt Securities		
Opening balance	640,215,918	496,741,067
(+/-) net issue/redemption	(7,544,345)	90,423,881
(+) remuneration	71,505,646	53,173,259
(+/-) mark-to-market adjustments	(1,001,576)	(122,289)
Closing balance	703,175,643	640,215,918
Result to be covered by the National Treasury		
Opening balance	-	-
(+) negative result to be covered	-	938,458
(+) remuneration	-	42,172
(-) coverage	-	(980,630)
Closing balance	-	-
Result to be transferred to the National Treasury		
Opening balance	6,553,787	10,175,795
(+) positive result to be transferred	15,736,255	6,553,787
(+) remuneration	320,685	210,760
(-) transfers	(17,680,809)	(10,386,555)
Closing balance	4,929,918	6,553,787
Foreign Exchange Equalization		
Opening balance	-	-
(+) adjustments	48,529,720	147,718,892
(+/-) transfers to credits payable (receivable)	(48,529,720)	(147,718,892)
Closing balance	-	-
Credit receivable due to the result of foreign exchange equalization		
Opening balance	53,931,576	-
(+) foreign exchange equalization result	48,529,720	147,718,892
(+) remuneration	1,505,963	3,355,175
(-) amounts received	(55,333,741)	(97,142,491)
Closing balance	48,633,518	53,931,576
Credit payable due to the result of foreign exchange equalization		
Opening balance	-	171,416,012
(+) remuneration	-	3,550,337
(-) payments	-	(174,966,349)
Closing balance	-	-
Transfer under Budget Law	1,241,950	1,179,531

36.2 Centrus

Centrus, a non-profit organization, is a private pension fund that aims to supplement the retirement benefits and pensions granted by the General Social Security Regime (RGPS) (note 21.2). The Bank is the sponsor of Centrus, and as a result, the following transactions occurred between the entities.

	2010	2009
Resources managed by Centrus		
Opening balance	630,867	942,364
(+/-) actuarial gains/losses	(16,486)	133,601
(-) amounts received	(634,158)	(563,110)
(+) interest	19,777	118,012
Closing balance	-	630,867
Actuarial Surplus		
Opening balance	3,371,447	2,483,386
(+/-) actuarial gains/losses	(1,976,336)	421,264
(+) interest	444,124	466,797
(+) other	14	-
Closing balance	1,839,249	3,371,447
Credits Receivable	289,283	267,500
Payment of management fee	2,703	3,473

The main variations observed in the period occurred as a result from the recognition of actuarial gains (note 21.2). It is important to mention that the Bank's resources administered by Centrus were liquidated during 2010.

36.3 Casa da Moeda do Brasil – CMB

The CMB is a federal public entity, linked to the Ministry of Finance, and has as its main activities the exclusive manufacture of banknotes and coins and the printing of federal mailing and fiscal stamps.

The statute of the CMB establishes that the Council of Administration and the Executive Direction will exert its administration. Furthermore, the Bank indicates one member of the Council of Administration.

In 2010, the Bank acquired banknotes and coins that totaled an expense of R$707,441 (R$767,120 in 2009).

36.4 Fundo de Pensão dos Empregados da Casa da Moeda do Brasil – Cifrão

Cifrão, instituted by the CMB, a non-profit organization, is a private pension fund with its own equity and administrative and financial autonomy. Its main objective is the institution and execution of retirement benefit plans to the employees of the CMB. There are no transactions between the Bank and the Cifrão.

36.5 Reserva para o Desenvolvimento Institucional do Banco Central do Brasil – Redi-BC

The resources of the Redi-BC are destined to fund the carrying out of relevant and essential projects that aim to achieve the operational and institutional development via the implementation of actions defined within the strategic planning. In 2010, Redi-BC spent R$75,140 (R$66,462 in 2009) to fund the implementation of Bank's projects and also reimbursed it the amount of R$1,637 (R$1,359 in 2009) as an administration fee.

36.6 Fundo de Assistência ao Pessoal – Faspe

Faspe is a fund created to manage resources destined to the maintenance of healthcare benefits of the Bank's employees. The Fund was created by Law 9,650, on May 27, 1998, which determines that its resources shall be composed by budget endowments of the Bank and monthly contributions from the participants. The Bank's contributions must be equivalent to the expected contributions of the participants. It also prescribes that, in the occurrence of a deficit in the system, the Bank may use its available resources for the covering of such deficit.

In 2010, the Bank incurred expenses that totaled R$68,016 in contributions to the Faspe (R$62,272 in 2009).

36.7 The Board of Directors and other management officers

The Bank's Board of Directors consists of 8 Directors (including the Governor), one Executive Secretary, one Attorney General and 39 civil servants, working as Advisors to the Board of Directors, Heads of Departments and Executive Managers. These are considered key-people. The Bank does not grant loans of any kind to any of its key-people or employees. Benefits to key-people include salaries, wage-related expenses, health care and other benefits. The Bank is also responsible for the payment of post retirement benefits for the key-people who are career civil servants. Law establishes salaries and benefits and there is not any relation between them and the financial performance of the Bank.

The total remuneration of the Board of Directors (including salaries, benefits, social security and other wage-related expenses) amounted to R$3,140 (R$2,478 in 2009). The total remuneration of the remaining key-people – Executive Secretary, Attorney General, Advisors to the Board of Directors, Heads of Departments and Executive Managers – was R$16,343 (R$15,116 in 2009).

37 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

a) Impact and fiscal cost of operations – Fiscal Responsibility Law – Article 7, paragraph 2:

The sole paragraph of Article 8 of Law 4,595/1964, as amended by Decree-Law 2,376, of November 25, 1987, stipulates that "the results obtained by Banco Central do Brasil, considering the revenues and expenses of all its operations, shall be, effective of January 1st, 1988, 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 positive result of Banco Central, calculated after constitution or reversal of reserves, constitutes a revenue of the National Treasury and shall be transferred not later than the tenth business day subsequent to approval of the half-year balance sheets.*"
>
> *Paragraph 1: The negative results will constitute a Treasury liability owed to the Banco Central do Brasil and will be consigned to a specific budget allocation account.*"

In accordance with Item II of Article 2 of Provisional Measure 2,179-36, of August 24, 2001, these negative results must be covered not later than the tenth business day of the fiscal year subsequent to the year of approval of the financial statements by the CMN.

Therefore:

I - The Bank's result is comprised of revenues and expenses related to all of its operations;

II - Positive results are transferred as revenues to the National Treasury, and negative results are covered as expenses of the National Treasury;

III - Such results are included in the Fiscal Budget of the National Treasury account.

The Bank experienced a positive result of R$1,560,786 in the 3rd quarter and a positive result of R$3,365,989 in the 4th quarter, totaling a positive result of R$4,926,775 in the 2nd semester of 2010. After realization of revaluation reserves, this result will be transferred to the National Treasury not later than the tenth business day of the exercise following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the pertinent Theme Committees of the National Congress (among which the Economic Subjects Committees, the Finances and Taxation Committees, and the Public Budget Committees), an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies, and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

b) Cost of remunerating the National Treasury deposits with the Bank – Fiscal Responsibility Law, Article 7, Paragraph 3:

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$7,406,084 in the 3rd quarter of 2010 and to R$10,191,665 in the 4th quarter (R$17,597,749 in the semester).

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

The cost of maintaining the foreign exchange reserves is daily calculated as the difference between the yield on international reserves, including the foreign exchange rate variation, and the average funding cost of the Bank.

On December 31, 2010, the sovereign debt securities represented 84.39% of total international reserves, as disclosed in Press Note on the External Sector (Table 49), available on the Bank's website (www.bcb.gov.br).

	International Reserves		Cost of funding	Cost of Maintaining International Reserves	
	Average Balance (R$ thousands)	Profitability (%)	(%)	(%)	(R$ thousands)
3rd quarter/2010	456,154,751	(4.14)	(1.97)	(6.11)	(27,887,623)
4th quarter/2010	483,945,393	(1.77)	(2.10)	(3.87)	(18,748,925)
Total in the semester					**(46,636,548)**

The international reserves had negative returns of 4.14% in the 3rd quarter, already considering the appreciation of the Real in relation to the United States Dollar currency in which the greater part of the reserves is denominated. Excluding the funding cost of the Bank, the net result of the international reserves was negative by 6.11% (R$27,887,623). In the 4th quarter, the profitability reached a negative 1.77%, totaling negative 3.87% (R$18,748,925), considering the cost of funding.

d) Profitability of the securities portfolio, emphasizing the securities issued by the Brazilian Federal Government – Fiscal Responsibility Law, Article 7, Paragraph 3:

The profitability of the Bank's securities portfolio, which is exclusively composed of Government securities, was R$16,447,823 in the 3rd quarter and R$20,643,194 in the 4th quarter, totaling R$37,091,017 in the 2nd semester of 2010.

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Aldo Luiz Mendes
Alexandre Antônio Tombini
Alvir Alberto Hoffmann
Anthero de Moraes Meirelles
Antônio Gustavo Matos do Vale
Carlos Hamilton Vasconcelos Araújo
Luiz Awazu Pereira da Silva

Head of the Accounting and Financial Department
Eduardo de Lima Rocha – Accountant – CRC-DF 12005/O-9

KPMG Auditores Independentes
Financial Services
SBS - Qd. 02 - Bl. Q - Lote 03 - Salas 708 a 711
Edifício João Carlos Saad
70070-120 - Brasília, DF - Brasil
Caixa Postal 8723
70312-970 - Brasília, DF - Brasil

Central Tel 55 (61) 2104-2400
Fax 55 (61) 2104-2406
Internet www.kpmg.com.br

Independent auditors' report

To
The President and Directors
Banco Central do Brasil
Brasília - DF

1. We have audited the financial statements of Banco Central do Brasil, which comprise the statement of financial position as at 31 December 2010, and the respective statements of income, comprehensive income, changes in equity and 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

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards – IFRS, as issued by 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

3. Our responsibility is to express an opinion on these financial statements based on our audit, which has been conducted 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.

4. 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.

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

Opinion

6. In our opinion, the financial statements above noted present fairly, in all material respects, the financial position of Banco Central do Brasil as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board - IASB.

Other subjects

7. Our audit was conducted for the purpose of expressing an opinion on the Bank's financial statements taken as a whole. The supplementary information included in Note 37 are not the pieces of information requested by International Financial Reporting Standards, but they are being presented in compliance with the Tax Liability Law. This supplementary information was submitted to the same audit procedures as described in paragraph 3 above. In our opinion this information is fairly presented in all material aspects in relation to the financial statements considered as a whole.

Brasília, February 11, 2011

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

Original report in Portuguese signed by

Ricardo Anhesini Souza
Contador CRC SP-152233/O-6 S-DF