



BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

December 31, 2012

BANCO CENTRAL DO BRASIL
BALANCE SHEET – AS AT DECEMBER 31, 2012
In thousands of Reais

ASSETS	Notes	Dec 31,	Dec 31,	LIABILITIES AND EQUITY	Notes	Dec 31,	Dec 31,
		2012	2011			2012	2011
ASSETS IN FOREIGN CURRENCIES		784,189,650	675,500,413	LIABILITIES IN FOREIGN CURRENCIES		19,341,850	23,913,425
Cash and Cash Equivalents	4	13,636,611	12,808,011	Items in the Course of Collection	16	76,880	828,852
Time Deposits Placed with Financial Institutions	5.1	29,433,213	24,473,813	Deposits Received from Financial Institutions	17	1,453	1,333
Funds under External Management	6	13,092,735	455,689	Financial Assets Sold Under Repurchase Agreements	7.1	636,357	5,892,661
Financial Assets Purchased Under Resale Agreements	7.1	11,826,109	5,858,935	Derivatives	8.1	9,097	2,347
Derivatives	8.1	67,998	350	Accounts Payable	18.1	9,067,027	8,324,770
Securities	9.1	692,023,006	614,321,929	Deposits Received from International Financial Organizations	19	9,547,147	8,863,307
Receivables	11.1	3,367,814	2,169,037	Other		3,889	155
Gold	12	7,316,622	3,102,339				
Investment in International Financial Organizations	13	13,425,542	12,310,310				
ASSETS IN LOCAL CURRENCY		1,024,758,273	907,911,058	LIABILITIES IN LOCAL CURRENCY		1,580,647,178	1,377,897,860
Cash and Cash Equivalents	4	20,483	569	Items in the Course of Collection	16	32,811	19,285
Deposits	5.2	1,428,823	623,908	Deposits Received from Financial Institutions	17	320,097,305	424,925,295
Financial Assets Purchased Under Resale Agreements	7.2	61,849,997	9,299,998	Financial Assets Sold Under Repurchase Agreements	7.2	597,214,923	351,178,116
Derivatives	8.2	15,197	-	Derivatives	8.2	-	11,336
Federal Government Securities	9.2	910,222,934	754,543,113	Payables to the Federal Government	10	633,537,608	578,190,914
Receivables from the Federal Government	10	9,900,636	101,274,835	Accounts Payable	18.2	839,300	959,748
Receivables	11.2	39,787,656	40,157,590	Deposits Received from International Financial Organizations	19	4,578	2,045
Property and Equipment	14	778,264	785,223	Provisions	20	28,895,337	22,577,874
Other	15	754,283	1,225,822	Other		25,316	33,247
				CURRENCY IN CIRCULATION	21	187,434,736	162,769,670
				EQUITY		21,524,159	18,830,516
				Capital	22.1	24,675,451	24,675,451
				Revenue Reserve	22.2	1,606,019	1,606,019
				Revaluation Reserve	22.2	447,584	453,869
				Gains (Losses) Recognized Directly in Equity	22.3	(5,204,895)	(7,904,823)
TOTAL ASSETS		1,808,947,923	1,583,411,471	TOTAL LIABILITIES AND EQUITY		1,808,947,923	1,583,411,471

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

BANCO CENTRAL DO BRASIL
INCOME STATEMENT - 2012

In thousands of Reais

	Notes	2012	2011
Interest income		91,982,951	94,035,581
Interest expenses		<u>(124,609,597)</u>	<u>(126,430,149)</u>
Net interest result	23	(32,626,646)	(32,394,568)
Gains (losses) on financial instruments classified as At fair value through profit or loss, held for trading	24	51,706,950	44,036,761
Gains (losses) on financial instruments classified as At fair value through profit or loss, by designation of the management	25	3,168,056	7,004,665
Gains (losses) from foreign currencies	26	2,738,640	4,568,282
Other income	27	3,085,398	3,515,923
Other expenses	27	(3,457,669)	(3,259,653)
NET INCOME FOR THE YEAR	28.1	<u>24,614,729</u>	<u>23,471,410</u>

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

BANCO CENTRAL DO BRASIL
STATEMENT OF COMPREHENSIVE INCOME - 2012

In thousands of Reais

	Notes	<u>2012</u>	<u>2011</u>
NET INCOME FOR THE YEAR	28.1	24,614,729	23,471,410
OTHER COMPREHENSIVE INCOME	22.3	2,699,928	2,878,165
Items which will not be reclassified to results		<u>(4,049,371)</u>	<u>(1,061,314)</u>
Investment in International Financial Organizations		1,115,232	1,263,441
Actuarial Gains (Losses) in Defined Benefit Plans		(5,164,603)	(2,324,755)
Items which may be reclassified to results		<u>6,749,299</u>	<u>3,939,479</u>
Federal Government Securities		6,655,695	3,806,891
Gold		93,604	132,588
COMPREHENSIVE INCOME FOR THE YEAR	28.2	27,314,657	26,349,575

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

BANCO CENTRAL DO BRASIL
STATEMENT OF CHANGES IN EQUITY - 2012

In thousands of Reais

	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	EQUITY
At December 31, 2011		24,675,451	1,606,019	453,869	(7,904,823)	18,830,516
Realization of revaluation reserves	22.2	6,285	-	(6,285)	-	-
Gains (losses) recognized directly in equity	22.3	-	-	-	2,699,928	2,699,928
Net income (loss) for the 1st six-month period of 2012		12,318,246	-	-	-	12,318,246
Net income (loss) for the 2nd six-month period of 2012		<u>12,296,483</u>	-	-	-	<u>12,296,483</u>
Net income for the year	28.1	24,614,729	-	-	-	24,614,729
Result transferred to the National Treasury - 1st six-month period of 2012	36.1.b	(12,321,388)	-	-	-	(12,321,388)
Result to be transferred to the National Treasury - 2nd six-month period of 2012	36.1.b	(12,299,626)	-	-	-	(12,299,626)
At December 31, 2012		24,675,451	1,606,019	447,584	(5,204,895)	21,524,159
At December 31, 2010		24,675,451	1,606,019	460,155	(10,782,988)	15,958,637
Realization of revaluation reserves	22.2	6,286	-	(6,286)	-	-
Gains (losses) recognized directly in equity	22.3	-	-	-	2,878,165	2,878,165
Net income (loss) for the 1st six-month period of 2011		12,230,706	-	-	-	12,230,706
Net income (loss) for the 2nd six-month period of 2011		<u>11,240,704</u>	-	-	-	<u>11,240,704</u>
Net income for the year	28.1	23,471,410	-	-	-	23,471,410
Result transferred to the National Treasury - 1st six-month period of 2011	36.1.b	(12,233,849)	-	-	-	(12,233,849)
Result transferred to the National Treasury - 2nd six-month period of 2011	36.1.b	(11,243,847)	-	-	-	(11,243,847)
At December 31, 2011		24,675,451	1,606,019	453,869	(7,904,823)	18,830,516

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

BANCO CENTRAL DO BRASIL
STATEMENT OF FOREIGN CURRENCIES CASH FLOWS - 2012

In thousands of Reais

	Note	2012	2011
<u>Net Cash Flow from Operating Activities</u>		(1,457,306)	(2,440,523)
Interest received		13,362,617	9,807,319
Interest paid		(10,699)	(32,723)
(Purchase) sale of securities		(20,806,281)	(123,292,664)
Purchase (sale) of foreign currencies		32,166,573	79,383,511
(Placement) redemptions of repurchase and reverse repurchase transactions		(11,131,161)	135,634
(Placement) redemptions of time deposits		(2,754,010)	28,538,923
(Placement) redemption of funds under external management		(12,221,275)	(375,683)
Formation (redemption) of passive deposits		1,573,189	1,759,550
(Payments) receipts on behalf of the National Treasury		28,308	123,211
(Granting) receipt of receivables		2,150,748	1,411,323
Receipts (payments) resulting from operations with derivatives		(27,520)	159,095
(Purchase) sale of gold		(3,806,577)	-
Other (payments) receipts		18,782	(58,019)
Net Cash Flow		(1,457,306)	(2,440,523)
Change in Cash and Cash Equivalents		(1,457,306)	(2,440,523)
Cash and cash equivalents at the beginning of the period		12,808,011	13,865,931
Cash and cash equivalents at the end of the period	4	13,636,611	12,808,011
Effect of exchange rate changes on cash and cash equivalents		2,285,906	1,382,603

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

1 - THE BANK AND ITS ATTRIBUTIONS

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

These financial statements were analyzed by the Deputy Governor of Administration, who recommended a favorable vote for their approval on February 15, 2013. As established in Law 4,595 of 1964, the National Monetary Council (CMN) authorized the publication of these statements on February 28, 2013 and they are available on the BCB's Internet website (www.bcb.gov.br).

2 - PRESENTATION

The BCB's financial statements as at December 31, 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

- Amendments to IAS 1 - Presentation of Financial Statements, which requires disclosure of the items defined as "Other Comprehensive Income" that may be reclassified to the statement of income, with compulsory application for annual periods beginning on or after July 1st, 2012.

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

- IFRS 9 - Financial Instruments: the mandatory application of IFRS 9, which was forecast for the years beginning on January 1st, 2013, was postponed by IASB until January 1st, 2015, so as to maintain the same effective date of obligation for all stages of the project. This standard was not applied in advance by the BCB and it is not possible to estimate its potential effects on its financial statements.
- Amendments to IAS 19 - Employee Benefits: in June 2011, IASB issued a revision of IAS 19, with mandatory application for annual periods beginning on or after January 1st, 2013. The main changes were: the elimination of the option for postponing recognition of gains and losses from defined benefit plans (corridor method); the elimination of options for the presentation of gains and losses with respect to these plans; and the calculation of the expected return on the plan's assets based on the rate used for discounting the defined benefit obligation. The application of this standard in 2013, retroactively to 2012, will not change the equity position of assets and liabilities, but will result in an adjustment of R\$ 85,697 in equity accounts (decrease) and results (increase).
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities: in December 2011, IASB issued a revision of IAS 32, altering the criteria to apply the offsetting between financial assets and financial liabilities. These amendments are mandatory for annual periods beginning on or after January 1st, 2014, and it is not possible, at this moment, to estimate the potential effects on the financial statements of the BCB.

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

- IFRS 13 - Fair Value Measurement, which established a single set of requirements for all fair value measurements required or permitted by IFRS, with mandatory application for the annual periods beginning on or after January 1st, 2013; and
- Amendments to IFRS 7 - Disclosure of Offsetting of Financial Assets and Financial Liabilities, with mandatory application for annual periods beginning on or after January 1st, 2013.

3 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by the BCB, which were applied consistently to the comparative financial information, is presented below.

3.1. Determination of profit and loss

The BCB's profit or loss is determined semi-annually on an accrual basis and is transferred to the National Treasury in the event of net income or covered by it in the event of a net loss (Notes 28.1 and 37.a).

3.2. Recognition of interest income and expenses

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

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

3.3. Assets and liabilities in foreign currencies

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

	Reais / currency	
	Dec 31, 2012	Dec 31, 2011
U.S. Dollar	2.0432	1.8755
Euro	2.6949	2.4337
Canadian Dollar	2.0542	1.8397
Pound Sterling	3.3025	2.9141
Australian Dollar	2.1192	1.9112
SDR	3.1402	2.8794
Gold (troy ounces)	3,386.6040	2,871.3140

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

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

3.4. Financial assets and liabilities**3.4.1 Recognition**

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

The BCB conducts operations in which it neither receives nor transfers substantially all the risks and benefits of financial assets traded, as in resale agreements. In this situation, the assets traded are not recognized in the accounting and the amounts invested are recorded in the balance sheet at the amounts advanced.

3.4.2 Derecognition

Financial assets are derecognized when:

- a) the rights to receive their cash flows expire, due to financial settlement, lack of expected settlement or in the event of loss of the right of realization; or
- b) the BCB transfers the rights to receive the cash flows, substantially transferring all the risks and benefits of ownership. Where it is not possible to determine if there is substantial retention or transfer of all the risks and benefits of ownership, the financial assets are derecognized only when there is no retention of control over the transferred financial assets.

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

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

3.4.3 Offsetting of financial assets and financial liabilities

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

3.4.4 Classification of financial instruments

On the date of the contracting, financial assets are classified into one of the following categories: At Fair value through Profit or Loss, Held-to-maturity, Loans and Receivables or Available-for-sale. After the initial record, assets are evaluated in accordance with the classification made:

a) At fair value through profit or loss

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

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

b) Held-to-maturity

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

c) Loans and receivables

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

d) Available-for-sale

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

3.4.5 Measurement

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

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

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

<u>Assets in Foreign Currencies</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
Cash and Cash Equivalents	Loans and receivables	Amortized cost
Time Deposits Placed with Financial Institutions	Loans and receivables	Amortized cost
Funds under External Management	At fair value through profit or loss	Fair value - Manager
Financial Assets Purchased Under Resale Agreements	Loans and receivables	Amortized cost
Derivatives - Futures	At fair value through profit or loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit or loss	Fair value - Internal Models/Bloomberg
Securities	At fair value through profit or loss	Fair value - Bloomberg
Receivables	Loans and receivables	Amortized cost
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
<u>Assets in Local Currency</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
Cash and Cash Equivalents	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Financial Assets Purchased Under Resale Agreements	Loans and receivables	Amortized cost
Derivatives - Swap	At fair value through profit or loss	Fair value - Stock, Futures and Commodities Exchange
Derivatives - Foreign Exchange Equalization	At fair value through profit or loss	Fair value - BCB
Federal Government Securities - part of the LTN	Available-for-sale	Fair value - Anbima
Federal Government Securities - LFT, NTN-B, NTN-F, NTN-P and part of the LTN	Held-to-maturity	Amortized cost
Receivables from the Federal Government	Loans and receivables	Amortized cost
Receivables - Institutions under Extrajudicial Liquidation - Original	At fair value through profit or loss	Fair value - Fair value of the collateral
Receivables - Institutions under Extrajudicial Liquidation - In installments	At fair value through profit or loss	Fair value - Discounted cash flow
Receivables - Other	Loans and receivables	Amortized cost
<u>Liabilities in Foreign Currency</u>	<u>Category</u>	<u>Measurement Basis / Source of Information</u>
Items in the Course of Collection	Other liabilities	Amortized cost
Deposits Received from Financial Institutions	Other liabilities	Amortized cost
Financial Assets Sold Under Repurchase Agreements	Other liabilities	Amortized cost
Derivatives - Futures	At fair value through profit or loss	Fair value - Stock exchanges
Derivatives - Forward	At fair value through profit or loss	Fair value - Internal Models/Bloomberg
Accounts Payable	Other liabilities	Amortized cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized cost

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

3.4.6 Adjustments for impairment of financial assets

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

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

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

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

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

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

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

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

3.4.7 Derivatives

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

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

3.5. Property and equipment

This group of accounts consists of land, buildings and equipments acquired by the BCB for its own use, as well as the collection of works of art and precious metals, except monetary gold, which are recorded at cost,

less accumulated depreciation, when applicable. All the expenses directly attributable to the acquisition or construction of the asset are included in the cost. Further expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Bank and these can be reliably estimated. Other expenditures for maintenance and repair are recognized in the income statement.

Land, works of art and precious metals are not depreciated. The other assets are depreciated according to the straight line method, recognizing their cost over the estimated useful life of the assets, as follows:

- a) buildings: 62.5 years;
- b) equipment and furniture:
 - computer equipment and vehicles: 5 years;
 - other fixed assets: 10 years.

3.6. Provisions

3.6.1 Litigation

The BCB recognizes a provision when an outflow of economic resources is probable and this amount can be estimated reliably. When an outflow of economic resources is not probable, but only possible, no provision is recognized.

3.6.2 Post-employment benefits

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

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

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

Actuarial gains and losses resulting from adjustments based on experience and on changes in actuarial assumptions are fully recognized in equity.

3.7. Tax immunity

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

3.8. Statement of cash flows

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

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

4 - CASH AND CASH EQUIVALENTS

	Dec 31, 2012	Dec 31, 2011
In Foreign Currencies	13,636,611	12,808,011
Cash	125,747	199,104
Demand deposits	8,973,168	7,785,755
Very short-term time deposits	4,537,696	4,823,152
In Local Currency	20,483	569
Total	13,657,094	12,808,580

The amounts in foreign currencies correspond to the portion of international reserves held by the BCB as demand deposits and very short-term time deposits, in accordance with its risk management policy (Notes 31 to 35). International reserves are the monetary assets available for coverage of imbalances in payments and, in some situations, for other financial requirements of the monetary authorities of a country.

5 - DEPOSITS**5.1. In foreign currencies**

These comprise the portion of international reserves held by the BCB as fixed time deposits in financial institutions, in accordance with its risk management policy (Notes 31 to 35), in the amount of R\$ 29,433,213 (R\$ 24,473,813 in 2011).

The variation in the balance of these deposits may be explained, basically, by the exchange variation and by the increase in the international reserves in the period.

5.2. In local currency

These are deposits made by legal determination, relating to ongoing litigations, for which there is recognition of a provision (Note 20.1) or a court-ordered debt payable (Note 18.2). They are remunerated by the Selic rate and, due to this entailment, are unavailable until the court decision on the matter under dispute. At December 31, 2012, the balance amounted to R\$ 1,428,823 (R\$ 623,908 in 2011).

6 - FUNDS UNDER EXTERNAL MANAGEMENT

	Dec 31, 2012	Dec 31, 2011
Funds managed by the Bank for International Settlements (BIS)	522,720	455,689
External Management Program	12,570,015	-
Securities	10,827,842	-
Up to 1 year	3,115,504	-
1 - 5 years	6,251,463	-
More than 5 years	1,460,875	-
Index funds	1,152,615	-
Equity instruments	879,282	-
Fixed income	273,333	-
Cash/receivables	589,558	-
Total	13,092,735	455,689

6.1. Fund managed by the BIS

This refers to the investment placed in the Bank for International Settlements Investment Pool Inflation-linked Government Bond Fund (BISIP ILF1), a fund managed by the BIS for the investment of international reserves of central banks.

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

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

6.2. Program for external management of international reserves

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

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

PGER, interrupted at the beginning of 2010, was resumed in February 2012 after reformulation and selection of new international financial institutions. The initial amount allocated to the external managers was US\$ 6 billion, divided equally among them.

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

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

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

7.1. In foreign currencies

	Dec 31, 2012	Dec 31, 2011
Financial Assets Purchased Under Resale Agreements	<u>11,826,109</u>	<u>5,858,935</u>
Foreign Market	637,546	5,858,935
Currencies	637,546	5,858,935
Domestic Market - Forward repurchase	11,188,563	-
Currencies	11,188,563	-
Financial Assets Sold Under Repurchase Agreements	<u>636,357</u>	<u>5,892,661</u>
Foreign Market	636,357	5,892,661
Currencies	636,357	5,892,661

a) Financial Assets Purchased Under Resale Agreements (Reverse repo):

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

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

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

b) Financial Assets Sold Under Repurchase Agreements (Repo):

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

c) Variation in the period:

The variation in the balance of operations carried out in the foreign market is due to the fact that there was a concentration of repurchase transactions with currencies at the end of 2011 - contracted in November and December 2011 and settled between February and March 2012 -, which was not repeated at the end of 2012.

As regards the transactions carried out in the domestic market, the variation is due to the activities of the BCB in the interbank foreign exchange market at the end of 2012, with the purpose of meeting the demand of U.S. dollars and ensuring appropriate levels of liquidity.

7.2. In local currency

	Dec 31, 2012	Dec 31, 2011
Financial Assets Purchased Under Resale Agreements	<u>61,849,997</u>	<u>9,299,998</u>
Securities	61,849,997	9,299,998
Assets granted as collateral	62,691,711	9,362,687
Financial Assets Sold Under Repurchase Agreements	<u>597,214,923</u>	<u>351,178,116</u>
Securities	585,844,844	351,178,116
Foreign Currencies	11,370,079	-
Assets granted as collateral	559,244,695	348,223,829
Freely tradable	285,351,503	165,501,562
Not freely tradable	273,893,192	182,722,267

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

the risk of changes in market prices of the collaterals when they fall below those established at the time of contracting the operation.

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

The increase in the balance of repo operations was caused, mainly, by the changes in the rules of compulsory deposits, which caused the release of funds to the banking system and the net redemption of federal government securities held by the market, including the payment of interest. To a lesser extent, the performance of the BCB also contributed to the variation in the interbank foreign exchange market through auctions to purchase foreign currency.

In the case of reverse repos, the variation in the final balance of 2012 as compared to the prior year was due to the need to offer liquidity to the market in the last week of the year, as a result of the concentration of factors such as: collection of taxes; payment of the National Institute of Social Security (INSS); transfer of funds from the Brazilian Sovereign Wealth Fund to the National Treasury; and settlement of the usual BCB's auction of six-months repo operations. On the first business day of 2013, this situation was reversed, when the banking system received the funds related to the redemptions of federal government securities, including the payment of interest.

8 - DERIVATIVES

8.1. In foreign currencies

In the management of the international reserves, the BCB uses derivatives in its routine operations for the purpose of implementing the investment strategy previously established by the Committee on Investment Strategy or to manage exposure to market risk, aiming to achieve security, liquidity and profitability, and also hedging the country's short-term sovereign debt.

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

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

- a) currency forwards - derivative instruments characterized by swapping currencies (purchase and sale) with settlement on a future date at a prefixed rate. These operations are carried out on the over-the-counter market, directly with financial institutions, and follow the risk management standards described in Notes 31 to 35;
- b) future contracts on interest rate, securities, indexes and commodities - derivative instruments characterized by the obligation to pay or the right to receive a specified amount related to the variation in the interest rates, in the prices of the securities of reference, in the indexes or in the prices of commodities on a future date, in accordance with the number and size of the outstanding contracts at a determined price established in the market. These operations are carried out in a stock exchange, with standardized contracts and collaterals in cash, and the changes in the prices of the contracts are adjusted daily.

BANCO CENTRAL DO BRASIL
NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012

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

Dec 31, 2012

Derivative/Currency	Long position	Short position	Positive adjustment	Negative adjustment
Forward				
<u>1 - 6 months</u>			<u>67,998</u>	<u>9,097</u>
Canadian Dollar	-	210,800	-	-
Euro	145,869	-	-	-
Pound Sterling	-	194,574	-	-
Yen	-	160,382	-	-
Norwegian Krone	154,435	-	-	-
New Zealand Dollar	-	241,588	-	-
Singapore Dollar	163,119	-	-	-
Swedish Krona	147,533	-	-	-
U.S. Dollar	817,280	612,960	67,998	9,097
Index futures				
<u>1 - 5 years</u>				
Euro	588,890	-	-	-
U.S. Dollar	-	583,937	-	-
Commodity futures				
<u>1 - 5 years</u>				
U.S. Dollar	17,120	337,692	-	-
Securities futures				
<u>1 - 5 years</u>			<u>-</u>	<u>-</u>
U.S. Dollar	18,980,827	-	-	-
Australian Dollar	-	3,302,132	-	-
<u>> 5 years</u>			<u>-</u>	<u>-</u>
U.S. Dollar	684,688	1,441,681	-	-
Australian Dollar	1,162,948	-	-	-
Euro	-	9,610,493	-	-
Total			67,998	9,097

Dec 31, 2011

Derivative/Currency	Long position	Short position	Positive adjustment	Negative adjustment
Forward				
<u>1 - 6 months</u>			<u>350</u>	<u>2,347</u>
Australian Dollar	57,335	19,112	-	-
Canadian Dollar	-	36,793	-	-
Swiss Franc	-	56,524	-	-
Euro	114,040	-	-	871
Pound Sterling	-	-	-	-
Yen	-	1,222	-	-
Norwegian Krone	-	-	-	-
Swedish Krona	-	18,547	-	-
U.S. Dollar	57,224	98,294	350	1,476
Securities futures				
<u>1 - 5 years</u>			<u>-</u>	<u>-</u>
U.S. Dollar	3,925,298	-	-	-
Euro	-	-	-	-
Total			350	2,347

Given the characteristics of a currency swap, no collateral is established in forward operations. In futures operations, the collateral is established by deposits that totaled R\$ 236,036 in 2012 (R\$ 8,899 in 2011).

The derivative balance in foreign currencies refers only to the currency forward transactions, considering that the changes in fair value of futures contracts are settled on a daily basis through a margin account.

8.2. In local currency

8.2.1 Swaps

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

These operations are contracted through holding auctions in the BCB's electronic system and are recorded in the Securities, Commodities and Future Exchange (BM&FBovespa), in the form of a standard agreement negotiated in that exchange known as an "Exchange Swap Contract with Periodic Adjustments (SCC)". In the long position of these agreements, the BCB is on the asset side in a domestic interest rate, represented by the average rate of the Interbank Deposits (DI) for one working day, and on the liability side in foreign exchange variation plus exchange coupon, which is a representative interest rate in U.S. dollars. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus exchange coupon and on the liability side in a domestic interest rate (DI). These contracts have a notional value equivalent to US\$50 thousand and daily financial adjustment. The amount of collateral is stipulated by BM&FBovespa.

The purchase operations for these agreements by the BCB are known in the financial market as exchange swaps and the selling operations are identified as reverse exchange swaps.

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

Dec 31, 2012

	Notional value			Fair value	
	Long position	Short position	Net position	Assets	Liabilities
1 month	4,270,915	(3,831,563)	439,352	1,470	-
1 - 6 months	3,780,475	-	3,780,475	13,727	-
Total	8,051,390	(3,831,563)	4,219,827	15,197	-

Dec 31, 2011

	Notional value			Fair value	
	Long position	Short position	Net position	Assets	Liabilities
1 month	4,462,059	(4,830,185)	(368,126)	-	37
1 - 6 months	2,129,033	(4,117,381)	(1,988,348)	-	8,472
6 - 12 months	328,265	(1,003,553)	(675,288)	-	2,827
1 - 5 years	-	-	-	-	-
Total	6,919,357	(9,951,119)	(3,031,762)	-	11,336

8.2.2 Foreign exchange equalization

The foreign exchange equalization operation between the National Treasury and the BCB was established under Law 11,803, of November 5th, 2008, for the purpose of providing greater transparency to the results of the operations of the monetary authority and reducing the volatility of its results, arising from the mismatch between the foreign exchange assets and liabilities (Note 33.3).

Through exchange equalization, which presents characteristics similar to a swap, the carrying cost of international reserves (represented by the difference between the profitability of the reserves and the BCB's average funding cost) and the result of the foreign exchange swaps made on the domestic market are transferred to the federal government through the National Treasury. These amounts are computed daily and the balance payable or

receivable is calculated on the last working day of the six-month period, and will be settled financially according to the same rules established for the transfer or coverage of the results (Notes 10, 24 and 36.1).

In 2012, the result of the foreign exchange equalization operation was R\$ 22,309,406 negative (R\$ 44,040,773 negative in 2011), as presented in Note 36.1.

9 - SECURITIES

9.1. In foreign currencies

	Dec 31, 2012	Dec 31, 2011
Uncommitted securities	692,023,006	614,062,619
1 month	428,080	98,226
1 - 6 months	29,296,823	23,934,370
6 - 12 months	14,387,175	28,170,193
1 - 5 years	597,579,722	514,689,636
More than 5 years	50,331,206	47,170,194
Securities subject to definitive sale operations pending settlement	-	259,310
1 - 5 years	-	259,310
Total	692,023,006	614,321,929

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

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

	Dec 31, 2012	Dec 31, 2011
Amortized cost	679,952,149	601,580,972
Fair value adjustment	12,070,857	12,740,957
Carrying amount	692,023,006	614,321,929

The difference in the portfolio of securities in foreign currencies was due mainly to the effects of the depreciation of the Brazilian Real against the U.S. dollar (Note 3.3), the currency in which a significant part of this portfolio is denominated (Note 33.2), and also to the increase in the international reserves in the period, considering that the investment in securities accounts for the major part of the reserves.

BANCO CENTRAL DO BRASIL
NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012

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

9.2. In local currency
At Dec 31, 2012

	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	16,772,893	9,959,671	7,767,281	149,594,858	166,393,029	350,487,732
National Treasury Bills (LTN)	-	9,959,054	7,767,281	62,820,686	-	80,547,021
Financial Treasury Bills (LFT)	-	16	-	19,108,117	-	19,108,133
National Treasury Notes - Series B (NTN-B)	-	601	-	34,112,374	134,310,789	168,423,764
National Treasury Notes - Series F (NTN-F)	16,772,893	-	-	33,553,681	32,082,240	82,408,814
Securities subject to repurchase agreements	-	78,887,431	23,260,983	353,054,867	104,041,414	559,244,695
National Treasury Bills (LTN)	-	21,124,842	23,260,983	146,470,699	-	190,856,524
Financial Treasury Bills (LFT)	-	41,129,309	-	126,977,352	-	168,106,661
National Treasury Notes - Series B (NTN-B)	-	16,633,280	-	53,846,431	75,017,941	145,497,652
National Treasury Notes - Series F (NTN-F)	-	-	-	25,760,385	29,023,473	54,783,858
Securities granted as collateral	-	-	-	490,281	-	490,281
Financial Treasury Bills (LFT)	-	-	-	490,281	-	490,281
Untradeable securities	-	-	-	97	129	226
National Treasury Notes - Series P (NTN-P)	-	-	-	97	129	226
Total	16,772,893	88,847,102	31,028,264	503,140,103	270,434,572	910,222,934

At Dec 31, 2011

	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Uncommitted securities	15,777,152	5	38,144,159	196,067,388	153,965,733	403,954,437
National Treasury Bills (LTN)	-	-	27,404,540	72,554,541	-	99,959,081
Financial Treasury Bills (LFT)	-	5	-	41,551,447	234,430	41,785,882
National Treasury Notes - Series B (NTN-B)	-	-	10,739,619	45,742,275	134,484,281	190,966,175
National Treasury Notes - Series F (NTN-F)	15,777,152	-	-	36,219,125	19,247,022	71,243,299
Securities subject to repurchase agreements	-	53,873,933	17,685,556	204,597,599	72,066,741	348,223,829
National Treasury Bills (LTN)	-	-	13,368,564	38,670,497	-	52,039,061
Financial Treasury Bills (LFT)	-	53,873,933	-	128,581,632	266,702	182,722,267
National Treasury Notes - Series B (NTN-B)	-	-	4,316,992	26,775,566	37,876,183	68,968,741
National Treasury Notes - Series F (NTN-F)	-	-	-	10,569,904	33,923,856	44,493,760
Untradeable securities	-	-	-	91	121	212
National Treasury Notes - Series P (NTN-P)	-	-	-	91	121	212
Total	15,777,152	53,873,938	55,829,715	403,029,713	226,032,595	754,543,113

The BCB seeks to manage its portfolio so as to have adequate instruments available for the execution of its monetary policy, i.e. the carrying out of purchase and sales operations for securities either definitively or as a firm commitment. The breakdown of this portfolio, therefore, tends to accompany the profile of the federal government debt securities held by the market, where, for this, the BCB, as the securities in its portfolio fall due, recomposes its portfolio through purchases in public offerings by the National Treasury, where these operations are always made at the average price paid by the other market players.

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

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

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

The following table presents the amortized cost and the mark-to-market value (Note 3.4.5) of these securities:

	Dec 31, 2012			Dec 31, 2011		
	Amortized cost	Fair value adjustment	Carrying amount	Amortized cost	Fair value adjustment	Carrying amount
Available-for-sale	234,491,730	10,416,863	244,908,593	148,286,672	3,711,470	151,998,142
National Treasury Bills (LTN)	234,491,730	10,416,863	244,908,593	148,286,672	3,711,470	151,998,142
Held-to-maturity	665,314,341	-	665,314,341	602,544,971	-	602,544,971
National Treasury Bills (LTN)	26,494,951	-	26,494,951	-	-	-
Financial Treasury Bills (LFT)	187,705,075	-	187,705,075	226,872,784	-	226,872,784
National Treasury Notes - Series B (NTN-B)	313,921,417	-	313,921,417	259,934,916	-	259,934,916
National Treasury Notes - Series F (NTN-F)	137,192,672	-	137,192,672	115,737,059	-	115,737,059
National Treasury Notes - Series P (NTN-P)	226	-	226	212	-	212
Total	899,806,071	10,416,863	910,222,934	750,831,643	3,711,470	754,543,113

The variation in the BCB's portfolio of federal government securities is due, basically, to the accrual of interest (Note 23), the issuances to cover the results from the foreign exchange equalization incurred in the second half of 2010 and in the first half of 2011 (Note 36.1.c), the positive adjustment to fair value of the securities classified as available for sale (Note 22.3) and the exchange of CVS securities received by the BCB as settlement of the debts of Mercantil and Banorte along with the Program for the Strengthening of the National Financial System (Note 11.2.1.a.1).

10 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Assets	Dec 31, 2012	Dec 31, 2011
Foreign exchange equalization result	9,900,595	101,274,794
Other	41	41
Total	9,900,636	101,274,835
Liabilities	Dec 31, 2012	Dec 31, 2011
National Treasury Operating Account	620,401,291	475,622,276
Foreign exchange equalization result	-	90,240,059
Result to be transferred to the National Treasury	12,299,626	11,243,847
Other	836,691	1,084,732
Total	633,537,608	578,190,914

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are described in greater detail in Note 36.1.

The variation in the period is due mainly to the result obtained in the foreign exchange equalization operation between the National Treasury and the BCB and the behavior of the National Treasury Operating Account's balance (Notes 8.2.2 and 36.1).

11 - RECEIVABLES**11.1. In foreign currencies**

	Dec 31, 2012	Dec 31, 2011
New Arrangements to Borrow	3,239,477	2,160,171
Other receivables	128,337	8,866
Total	3,367,814	2,169,037

The balance of receivables in foreign currencies as of December 31, 2012 refers mainly to the BCB's participation in New Arrangements to Borrow (NAB).

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

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

The balance variation is due to the release of funds from NAB, in the amount of SRD 281.5 million and to the depreciation of the Real against the SRD in the period.

11.2. In local currency**At Dec 31, 2012**

	Amortized cost	Fair value adjustment	Carrying amount
At fair value through profit or loss - Designation	70,435,090	(32,111,082)	38,324,008
Original receivables	67,611,719	(31,026,105)	36,585,614
Banco Nacional - Under Extrajudicial Liquidation	33,589,521	(14,254,525)	19,334,996
Banco Econômico - Under Extrajudicial Liquidation	34,022,198	(16,771,580)	17,250,618
Receivables in installments	2,823,371	(1,084,977)	1,738,394
Banco Banorte - Under Extrajudicial Liquidation	490,824	(188,616)	302,208
Banco Bamerindus - Under Extrajudicial Liquidation	2,332,547	(896,361)	1,436,186
Loans and receivables	1,463,648	-	1,463,648
Loans related to rural credit	151,406	-	151,406
Centrus	1,208,301	-	1,208,301
Other	103,941	-	103,941
Total	71,898,738	(32,111,082)	39,787,656

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

At Dec 31, 2011

	Amortized cost	Fair value adjustment	Carrying amount
At fair value through profit or loss - Designation	68,643,479	(31,672,489)	36,970,990
Original receivables	65,621,587	(30,350,074)	35,271,513
Banco Nacional - Under Extrajudicial Liquidation	32,805,739	(14,718,108)	18,087,631
Banco Econômico - Under Extrajudicial Liquidation	30,310,999	(15,481,663)	14,829,336
Banco Mercantil - Under Extrajudicial Liquidation	2,354,543	-	2,354,543
Banco Banorte - Under Extrajudicial Liquidation	150,303	(150,303)	-
Banco Morada - Under Extrajudicial Liquidation	3	-	3
Receivables in installments	3,021,892	(1,322,415)	1,699,477
Banco Banorte - Under Extrajudicial Liquidation	525,428	(229,933)	295,495
Banco Bamerindus - Under Extrajudicial Liquidation	2,496,464	(1,092,482)	1,403,982
Loans and receivables	3,186,600	-	3,186,600
Loans related to rural credit	2,200,764	-	2,200,764
Centrus	966,887	-	966,887
Other	18,949	-	18,949
Total	71,830,079	(31,672,489)	40,157,590

11.2.1 At fair value through profit or loss - Designation**a) Original receivables****a.1) Receivables characteristics and conditions**

This refers basically to the BCB's receivables from institutions under liquidation originating from financial assistance (Proer loans) and from the balances resulting from overdrafts in the Banking Reserves account.

These receivables are adjusted by applying article 124, sole paragraph, of the Bankruptcy Law (Law 11,101 of February 9, 2005), through which the portion of the receivables originating from Proer loans should be updated by the contractual rates up to the limits of the collateral on the loans, and the remaining balances by the TR, highlighting that the contractual rates are those resulting from the collateral of the original loans.

The realization of these receivables is subject to the legal and procedural requirements established in the Liquidation Law (Law 6,024 of March 13, 1974) and in the Bankruptcy Law. This legislation establishes, amongst other matters:

- suspension of the terms previously established for settlement of the obligations;
- payment of the liabilities observing the order of preference established by the law: essential liquidation expenses, labor claims, secured creditors, tax liabilities, and, finally, unsecured creditors;
- establishment of a general creditors' table, as a means for identifying all the institution's creditors, the effective value of their credit and their position in the order of preference for payment;
- the procedures required to realize the assets, such as the type of sale (direct or auction, individual assets or groups of assets).

The payments occurring since the date of adjudication of liquidation, when made with funds originating from the collateral entailed to the debts, are allocated in the respective agreements of the financial assistance operations (Proer), in accordance with bankruptcy legislation, and the debtor may realize the legal liability according to his convenience only in the cases where the payments were made with unrestricted funds. In any case, the repayments are recorded initially as interest and afterwards as principal, in accordance with civil law.

In relation to the position as at December 31, 2011, the BCB received settlements in cash of the credits held against: Banco Mercantil - Under Extrajudicial Liquidation, on January 26, 2012, fact disclosed as subsequent event in the annual financial statements of 2011; Banco Banorte - Under Extrajudicial Liquidation, on March 19, 2012, related to the financial assistance under Proer loans (debts resulting from overdrafts in the Banking Reserves account are being paid in installments); and Banco Morada - Under Extrajudicial Liquidation, on January 4th, 2012.

a.2) Classification and measurement

These credits are classified as At Fair Value through Profit or Loss by designation of the BCB's Management, which considered this classification more relevant, considering the following characteristics:

- they comprise a portfolio of assets with the same origin - they arise from the BCB's actions as supervisor of the national financial system;
- for management and accounting purposes, these assets have been stated at their realizable amount since 1999. This form of evaluation reflects the BCB's objectives when dealing with extrajudicial liquidation processes, i.e. concluding the processes in the shortest time possible and at the lowest possible cost for the monetary authority, depositors and investors.

The fair values of these assets are stated at the fair value of the original collateral, formed by LFT, NTN-A3 and FCVS/CVS, excluding the credits that are preferential in relation to the BCB (payments of expenditures that are essential for the liquidation, wages and tax charges).

b) Credits receivable in installments

b.1) Receivables characteristics and conditions

With the publication of Law 12,249, of June 11, 2010, the BCB's credits with the institutions under liquidation became payable in cash or in installments, at the request of the debtor, with discounts from 25% to 45% due on the charges. The general principle that guides the settlement of receivables is the acceptance of federal government securities in payment, whose valuation will be attributed by the BCB for each type of security offered, considering the lower value between face value and market value.

Banorte and Bamerindus entered into a term for payment in installments of their debts originated from overdrafts in the Bank Reserves account with the BCB, in August 2011, for the payment in 180 consecutive, monthly installments, adjusted by the TR, as assured to institutions under liquidation by Article 9, main clause, of Law 8,177 of March 1st, 1991 with the wording given by Law 8,218, of August 29, 1991. If the extrajudicial liquidation scheme is terminated, there is surplus bankrupt estate or there are other legal grounds for removing the incidence of the TR, the monthly installments will be adjusted by the Selic rate.

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

b.2) Classification and measurement

These receivables are classified as At Fair Value through Profit or loss by designation of the management, considering the same characteristics as for the original receivables (Note 11.2.1.a).

The fair value of the receivables corresponds to the present value of the cash flows, calculated through the use of equivalent market rates - DI x TR swap reference rates published by BM&FBovespa for the installment term (Note 30).

11.2.2 Loans and receivables**a) Loans related to rural credit**

These are loans to financial institutions with funds originating from the reserve requirements for rural loan deficiencies. The loans are granted at the request of the financial institutions, they are limited to the amount of their own compulsory reserve deposits and must be applied in rural loan operations.

These loans have a maximum term of 12 months and, in the case of funds from the rural savings account, they are subject to financial charges based on the TR.

The change in the balance of the loans related to rural credit is due to the decrease in the deficiencies in applications in rural credit in the period, with a consequent decrease in this type of loan.

b) Centrus

These operations comprise receivables from Centrus resulting from:

- changes introduced in 2009 in the regulation of the Foundation's benefit plan, which consisted of an increase in the basic quota of death benefits, generating credit for the sponsor in proportion to the benefit granted;
- the distribution of the surplus of the Foundation's benefit plan, as approved by Ordinance n° 192, of April 14, 2011, of the National Superintendency of Supplementary Social Security (Previc), with reversal of amounts to the sponsor, the sponsored participants and the self-sponsored participants;
- reversal of tax contingency for Withholding Income Tax (IRRF), on December 28, 2012, previously recognized by Centrus.

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

The change in relation to December 31, 2011 is due, basically, to the recognition of the portion owed to the BCB of the reversal of the tax contingency for IRRF and the remuneration of the receivables in the period (Note 36.2).

12 - GOLD

The BCB, like other central banks, maintains part of Brazil's international reserves in gold. Gold is considered as a reserve asset because it is readily and unconditionally available for the monetary authorities. Accordingly, the gold held by the BCB is a monetary financial asset.

Considering these characteristics, the BCB understood that IFRS do not establish an accounting treatment for this type of asset and, accordingly, based on IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, it concluded that the best alternative is the treatment prescribed for the other financial assets, i.e. IAS 39.

Since there is no intention of trading in the short term, the funds invested in gold are classified as Available-for-sale. Due to this classification, the gold is stated at the market price in U.S. dollars, with price adjustments recorded in equity and the effects of foreign exchange adjustments recorded in the income statement.

	Dec 31, 2012	Dec 31, 2011
Cost	4,449,918	574,814
Fair value adjustment	2,866,704	2,527,525
Carrying amount	7,316,622	3,102,339

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

The variation in the period is mainly due to the decision of the BCB's management of increasing investments in this type of asset, allocating to it part of the increase in the international reserves.

13 - INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

The BCB's interest in international financial organizations consists of quotas of the IMF (1.79% of the Fund's equity) and shares of the BIS (0.55% of the capital). The percentage of the capital of these organizations held by the BCB does not represent control or a significant influence in their management or in the decisions of these organizations, which establishes their accounting in accordance with IAS 39.

These assets are classified as Available-For-Sale and their market value is expressed by the value, in Reais, of Brazil's interest in the organizations.

	Dec 31, 2012	Dec 31, 2011
International Monetary Fund	13,347,420	12,238,677
Bank for International Settlements	78,122	71,633
Total	13,425,542	12,310,310

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

14 - PROPERTY AND EQUIPMENT**2012**

	Precious metals under several forms	Land	Buildings	Equipment	Works of art and museum pieces	Total
At Dec 31, 2011	38,482	256,324	369,158	91,117	30,142	785,223
Cost	38,750	256,324	451,646	273,285	30,142	1,050,147
Accumulated depreciation	-	-	(82,488)	(182,168)	-	(264,656)
Provision for losses	(268)	-	-	-	-	(268)
Changes in 2012	(26,023)	-	11,460	7,574	30	(6,959)
Acquisitions/Construction	-	-	21,568	31,590	30	53,188
Sales/Write-offs	(26,249)	-	-	(65,484)	-	(91,733)
Reversal of provision for losses	226	-	-	-	-	226
Depreciation	-	-	(10,108)	(23,538)	-	(33,646)
Depreciation write-off	-	-	-	65,006	-	65,006
At Dec 31, 2012	12,459	256,324	380,618	98,691	30,172	778,264

2011

	Precious metals under several forms	Land	Buildings	Equipment	Works of art and museum pieces	Total
At Dec 31, 2010	38,482	256,324	360,232	82,306	30,134	767,478
Cost	38,750	256,324	432,612	257,853	30,134	1,015,673
Accumulated depreciation	-	-	(72,380)	(175,547)	-	(247,927)
Provision for losses	(268)	-	-	-	-	(268)
Changes in 2011	-	-	8,926	8,811	8	17,745
Acquisitions/Construction	-	-	19,236	32,795	8	52,039
Sales/Write-offs	-	-	(202)	(17,363)	-	(17,565)
Depreciation	-	-	(10,108)	(23,845)	-	(33,953)
Depreciation write-off	-	-	-	17,224	-	17,224
At Dec 31, 2011	38,482	256,324	369,158	91,117	30,142	785,223

15 - OTHER ASSETS

	Dec 31, 2012	Dec 31, 2011
In Local Currency	754,283	1,225,822
Actuarial Surplus - Centrus (Note 20.2)	682,633	1,149,284
Other	71,650	76,538
Total	754,283	1,225,822

16 - ITEMS IN THE COURSE OF COLLECTION

These refer basically to contracted operations pending settlement on the balance sheet date, whose financial settlement will occur within three days. At December 31, 2012, the balance of contracted operations pending settlement, in foreign and local currencies, was R\$ 76,880 and R\$ 32,811 (R\$ 828,852 and R\$ 19,285 in 2011), respectively.

17 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	Dec 31, 2012	Dec 31, 2011
In Foreign Currencies	1,453	1,333
In Local Currency	320,097,305	424,925,295
Demand Deposits	45,936,716	51,465,641
Time Deposits	64,600,897	130,616,900
Savings Deposits	95,569,420	80,713,232
Additional Requirements	111,649,700	157,685,941
Other	2,340,572	4,443,581
Total	320,098,758	424,926,628

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

These deposits are calculated on the average daily balance of the amounts obtained by the banks and may be required in cash or in federal government securities. The deposits made in cash are recognized as demand liabilities of the BCB.

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

- a) on demand deposits - 44%, without remuneration;
- b) on time deposits - 20%, remunerated by the Selic rate;
- c) on savings deposits - 20% (17% rural savings account), remunerated based on the TR + 6.17% p.a. or 70% of Selic Target + TR;
- d) on foreign exchange short position - 60%, without remuneration;
- e) additional requirements - due on the sum of time deposits (11%) and of savings deposits (10%), remunerated by the Selic rate.

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

The reserve requirements on demand deposits, together with the Currency in Circulation (Note 21), comprise the economic concept of monetary base, which variation evidence the primary currency issue. In 2012, the reserve requirements on demand deposits presented a reduction of R\$ 5,528,925 (reduction of R\$ 4,242,313 in 2011).

18 - ACCOUNTS PAYABLE

The balance of accounts payable comprises:

	Dec 31, 2012	Dec 31, 2011
In Foreign Currencies	9,067,027	8,324,770
SDR allocations	9,067,027	8,315,443
Other	-	9,327
In Local Currency	839,300	959,748
Court-ordered debts payable	622,880	759,325
Other	216,420	200,423
Total	9,906,327	9,284,518

18.1. In foreign currencies

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

The variation in the balance of accounts payable in foreign currencies is due, basically, to the effects of the foreign exchange variance in the period.

18.2. In local currency

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

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

In compliance with the provisions of article 28 of Law 12,708, of August 17, 2012 (Budget Guidelines Law - LDO 2013), the appropriations approved in the annual budget law for the payment of debts arising from final and unappealable judicial decisions will be decentralized to the courts requesting the court-ordered debts, which will be responsible for making the payments to the beneficiaries. As a result, the budget and financial resources shall not pass through the BCB (debtor entity). The balance existing at December 31, 2012 refers to the court-ordered debts to be paid in 2013 and the following years.

19 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2012	Dec 31, 2011
In Foreign Currencies	9,547,147	8,863,307
Inter-American Development Bank	57,227	61,869
International Bank for Reconstruction and Development	19,214	17,008
International Monetary Fund	9,470,292	8,784,426
Other	414	4
In Local Currency	4,578	2,045
Financial Fund for the Development of River Plate Basin	4,578	2,045
Total	9,551,725	8,865,352

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

The variation in the balance of IMF deposits refers mainly to the depreciation of the Real against the SDR in the period (Note 3.3).

20 - PROVISIONS

	Dec 31, 2012	Dec 31, 2011
Litigation	3,775,604	3,201,941
Actuarial liability	25,119,733	19,375,933
Total	28,895,337	22,577,874

20.1. Provisions for litigation

At December 31, 2012, the BCB was a party to 10,101 lawsuits (3,255 as the plaintiff, 6,839 as the defendant and 6 where the BCB was an interested party) due to various issues, including economic plans, labor claims, liquidations of financial institutions and privatizations (at December 31, 2011, the total was 13,379, where 3,381 were as the plaintiff, 9,992 were as the defendant and 6 had the BCB as an interested party).

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

Provisions are recorded for 100% of the amount at risk (including an estimate of fees for loss of suit) for all the litigation where the risk of loss is classified as probable, i.e. where the risk of loss is assessed as greater than 50%. In 2012 provisions were recorded for 1,121 lawsuits (1,168 in 2011). The following table presents the changes in the provisions during the year:

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

	2012	2011
Opening balance	3,201,941	2,696,925
Changes	<u>573,663</u>	<u>505,016</u>
Formation	630,614	604,867
Reversal	(58,946)	(75,529)
Transfer to court-ordered debts	1,995	(24,322)
Closing balance	3,775,604	3,201,941

The amounts of the lawsuits are adjusted by the Selic rate, following the provision in Resolution 561, of July 2nd, 2007, of the Federal Justice Council. Labor lawsuits are exceptions, since these are restated using the TR plus legal interest, in accordance with Laws 8,177, of 1991, and 10,192, of February 14, 2001.

The lawsuits where the risk of loss was considered as less than probable and more than remote were classified as contingent liabilities and, accordingly, no provisions were recorded. At December 31, 2012, there were 861 lawsuits (796 in 2011) in this situation, totaling R\$ 73,159,035 (R\$ 72,172,231 in 2011).

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

	Dec 31, 2012	Dec 31, 2011
2012	-	799,639
2013	1,893,400	1,618,071
2014	628,913	94,722
2015	623,096	564,940
2016	213,870	96,032
2017	369,903	3,741
2018	15,485	10,717
2019	1,131	1,018
2020	22,938	9,237
2021	5,741	3,479
2022	1,074	297
2023	53	48
Total	3,775,604	3,201,941

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

	Dec 31, 2012	Dec 31, 2011
Special systems	1,400,190	1,022,207
Labor lawsuits	1,325,935	1,263,631
Economic plans	543,405	466,532
Contractual relationships	349,743	324,770
Other	156,331	124,801
Total	3,775,604	3,201,941

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

- a favorable decision for the BCB in a lawsuit, in which case the judge authorizes the BCB to redeem the deposit;

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

20.2. Provision for actuarial liabilities

The BCB sponsors post-employment benefit plans for its employees, which include retirement, pension and health care benefits. A summary of the existing plans and the main assumptions for the actuarial calculations are presented below:

a) Retirement benefits for employees retired before 1990 - Centrus

The Centrus Plan is a defined benefit plan, the purpose of which is to supplement the retirement and pension benefits paid by the government Social Security System to employees that retired up to 1990. The plan is funded by contributions from the sponsor and the retired employees, made to Centrus, which is responsible for administering the funds and payments. In 2008, due to the actuarial surplus presented by the Plan, the rates for the contributions were reduced to 0% for the sponsor and for the participants. This plan is in the process of being extinguished since entry of new participants is no longer possible.

b) Retirement benefits for employees retired after 1990 - RJU

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

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

c) Health care benefits - Faspe

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

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

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

d) Actuarial calculations

Calculation of the provision	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations	3,221,072	21,922,281	3,271,456	2,536,665	17,098,943	2,350,784
(-) Fair value of plan assets	(5,430,476)	-	(74,003)	(5,493,976)	-	(73,795)
Net actuarial liabilities (assets)	(2,209,404)	21,922,281	3,197,453	(2,957,311)	17,098,943	2,276,989
(-) Unrecognized assets	(1,526,772)	-	-	(1,808,027)	-	-
Actuarial liabilities (assets) recognized in the balance sheet	(682,632)	21,922,281	3,197,453	(1,149,284)	17,098,943	2,276,989

The actuarial surplus of the Centrus plan, referring to the excess of assets in relation to the benefits payable, is recognized in the balance to the extent of the expected economic benefits (Note 11.2). Accordingly, taking into consideration the reversal of amounts of the actuarial surplus of the Centrus plan, in compliance with Resolution 26, of the Board for Management of Supplementary Pension Funds (CGPC), of September 29, 2008, this calculation

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

takes into consideration the proportionality of the contribution between the BCB and the participants, as well as the formation of a contingency reserve by Centrus.

In the case of RJU and Faspe, the variation observed between the two periods is due to the entry of new employees and the review of indices ("Actuarial Assumptions" table). For the Centrus plan, the variation is due mainly to the review of the actuarial assumptions.

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

Present value of the liabilities - Reconciliation	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations at the beginning of the year	2,536,665	17,098,943	2,350,784	2,303,023	16,847,922	704,109
(+) Current service cost	-	136,590	185,034	-	159,259	52,058
(+) Interest cost	242,735	2,002,299	228,730	225,512	1,646,206	72,377
(-) Benefits paid	(301,786)	(984,844)	(175,414)	(291,540)	(905,941)	(167,572)
(+) Participants contributions	-	-	67,261	-	-	77,601
(+/-) Actuarial losses (gains)	743,458	3,669,293	615,061	299,670	(648,503)	1,612,211
(=) Present value of actuarial obligations at the end of the year	3,221,072	21,922,281	3,271,456	2,536,665	17,098,943	2,350,784

Plan assets - Reconciliation	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Fair value of the plan assets at the beginning of the year	5,493,976	-	73,795	6,579,520	-	82,909
(-) Benefits paid	(301,786)	(984,844)	(175,414)	(291,540)	(887,291)	(167,572)
(+) Participants contributions	-	-	67,261	-	-	77,601
(+) Sponsor contributions	-	-	107,966	-	-	92,397
(+) Expected return on the plan's assets	650,108	-	6,621	876,506	-	8,548
(+) Transfer from the National Treasury	-	984,844	-	-	887,291	-
(+/-) Actuarial gains (losses)	(411,822)	-	(6,226)	(1,670,510)	-	(20,088)
Fair value of the plan assets at the end of the year	5,430,476	-	74,003	5,493,976	-	73,795

Plan assets - Percentage distribution	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Equity instruments	30.0%	-	-	33.2%	-	-
Federal Government Securities	61.0%	-	82.9%	60.9%	-	80.1%
Property	2.2%	-	-	2.3%	-	-
Other	6.8%	-	17.1%	3.6%	-	19.9%

Income and expenses recognized in the Income Statement for the year	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Other expenses						
Current service cost	-	136,590	185,034	-	159,259	52,058
Interest income						
Expected return on plan assets	650,108	-	6,621	876,506	-	8,548
Interest expenses						
Interest costs	242,735	2,002,299	228,730	225,512	1,646,206	72,377

Actuarial gains and losses recognized in equity	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Opening balance	(3,366,268)	(6,280,946)	(1,693,608)	(2,025,309)	(6,929,449)	(61,309)
Recognition	(874,024)	(3,669,293)	(621,286)	(1,340,959)	648,503	(1,632,299)
Closing balance	(4,240,292)	(9,950,239)	(2,314,894)	(3,366,268)	(6,280,946)	(1,693,608)

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

Actuarial assumptions	Dec 31, 2012			Dec 31, 2011		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Financial						
Discount rate	7.61%	8.28%	8.30%	10.32%	10.40%	10.38%
Inflation rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Rate of contribution of retired employees	-	-	1% to 3%	-	-	1% to 3%
Rate of contribution of the sponsor	-	-	Up to 3%	-	-	Up to 3%
Expected growth rate for salaries	-	1.46%	-	-	1.70%	-
Trend rate for medical costs	-	-	10.9%	-	-	13.6%
Non-financial						
Number of active employees	-	4,461	4,369	-	4,548	4,438
Number of retired employees	768	4,533	5,115	815	4,218	4,911
Number of pensioners	679	505	1,172	652	473	1,098
Average past service (in years)	-	16.2	-	-	17.3	-
Average expected future service (in years)	-	16.5	-	-	15.5	-
Average age of active employees	-	46	46	-	47	47
Average age of retired employees	80	64	66	79	63	65
Average age of pensioners	76	51	66	75	50	65
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
Disabled mortality table	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC
Entry into disability table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Other information

- The long-term interest rate, used as a basis for the establishment of the discount rate of the plans, was calculated considering the market of the federal government securities for terms similar to those of the flow of obligations of each plan, in the so-called duration concept.
- The rate of growth of the plan's medical costs was calculated considering past growth in the last five years.
- A change of (+/-) 1% in the medical costs would have the following impact on Faspe:

	+1%	-1%
Cost of services and interest	23,190	(20,763)
Liability	638,034	(521,983)

- The BCB estimates that the payment of its contributions to Faspe in 2013 will be R\$ 98,816.

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

- Past information:

	2012	2011	2010	2009	2008
Centrus					
Present value of the liabilities	3,221,072	2,536,665	2,303,023	2,408,173	2,407,480
Fair value of the assets	5,430,476	5,493,976	6,579,520	5,779,620	4,890,866
Deficit (surplus) of the plan	(2,209,404)	(2,957,311)	(4,276,497)	(3,371,447)	(2,483,386)
Adjusted experience resulting from the plan's liabilities	122,856	253,446	(180,061)	(298,363)	(115,841)
Adjusted experience resulting from the plan's assets	905,301	2,140,486	(375,185)	(367,243)	1,708,851
RJU					
Present value of the liabilities	21,922,281	17,098,943	16,847,922	14,475,619	10,074,730
Fair value of the assets	-	-	-	630,867	942,364
Deficit (surplus) of the plan	21,922,281	17,098,943	16,847,922	13,844,752	9,132,366
Adjusted experience resulting from the plan's liabilities	(1,619,688)	(846,955)	(327,340)	1,325,832	2,627,683
Adjusted experience resulting from the plan's assets	-	(887,291)	16,486	(133,600)	473,920
Faspe					
Present value of the liabilities	3,271,456	2,350,784	704,109	710,841	509,109
Fair value of the assets	74,003	73,795	82,909	76,821	69,972
Deficit (surplus) of the plan	3,197,453	2,276,989	621,200	634,020	439,137
Adjusted experience resulting from the plan's liabilities	83,109	1,458,807	303,231	(15,687)	28,152
Adjusted experience resulting from the plan's assets	6,225	34,884	(1,515)	(2,156)	(130)

21 - CURRENCY IN CIRCULATION

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

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

	Dec 31, 2012		Dec 31, 2011	
	Number	Amount (R\$ thousand)	Quantity	Amount (R\$ thousand)
Notes	5,569,014,004	182,610,276	5,009,229,063	158,418,349
R\$ 1.00	150,013,414	150,013	150,919,407	150,919
R\$ 2.00	913,425,568	1,826,851	815,894,757	1,631,790
R\$ 5.00	470,805,968	2,354,030	447,388,395	2,236,942
R\$ 10.00	722,346,875	7,223,469	683,911,079	6,839,111
R\$ 20.00	844,549,581	16,890,992	742,823,319	14,856,466
R\$ 50.00	1,852,446,791	92,622,340	1,682,521,788	84,126,089
R\$ 100.00	615,425,807	61,542,581	485,770,318	48,577,032
Coins	20,413,737,206	4,823,411	18,770,658,056	4,350,366
R\$0.01	3,190,933,773	31,909	3,190,853,499	31,909
R\$0.05	4,998,983,846	249,949	4,495,096,298	224,755
R\$0.10	5,430,470,374	543,047	4,955,321,324	495,532
R\$0.25	2,302,584,905	575,646	2,091,563,039	522,891
R\$0.50	2,135,807,473	1,067,904	1,925,088,972	962,544
R\$ 1.00	2,354,956,835	2,354,956	2,112,734,924	2,112,735
Commemorative	-	1,049	-	955
Total		187,434,736		162,769,670

At December 31, 2012, the Currency in Circulation presented an increase of 15.2% when compared to 2011, which can be associated mainly with growth in the gross domestic product (GDP) and the impact of the minimum wage readjustment on the economy's monetization due to the profile of the wage-earning individuals benefitted from this increase.

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

	2012	2011
Opening balance	162,769,670	151,145,368
Changes	24,665,066	11,624,302
(+) Issuances	262,269,730	228,613,072
(-) Payment	(237,604,664)	(216,988,770)
Closing balance	187,434,736	162,769,670

As regards currency in circulation administrative expenses, the amounts in 2011 and 2012, recorded in Other Expenses, are as follows:

	2012	2011
Acquisition of notes and coins	827,739	788,304
Storage and safekeeping of notes and coins	66,277	57,655
Distribution of notes and coins	51,848	34,274
Selection of notes and coins	11,757	11,233
Destruction of notes and coins	1,274	566
Disclosure and researches of matters related to Currency in Circulation	13,011	22,028
Other	22	2
Total expenses with Currency in Circulation	971,928	914,062

22 - NET EQUITY

22.1. Capital

Capital is comprised of the following items:

- initial equity, in the amount of R\$ 14,526, which represents the capital originally transferred to the BCB at the time of its constitution, adjusted by the monetary restatement up to December 31, 1995;
- results of the BCB until 1987 and incorporated into its equity, adjusted by the monetary restatement up to December 31, 1995, totaling R\$ 2,561,830; and
- capital increases resulting from the incorporation of securities issued by the Federal Government for the purpose of recomposition of the portfolio, in the amount of R\$ 22,099,095.

22.2. Reserves

Reserves are comprised of:

- Revenue Reserve - may be appropriated up to the limit of 25% of the BCB's profit, excluding the income from exchange equalization.
- Revaluation Reserve - results from the revaluation of the BCB's properties for own use, occurring until 2004. Upon initial adoption of the IFRS, BCB opted for recording its property and equipment on the cost method (Note 3.5), attributing the amount of the last revaluation as the new cost (deemed cost). This amount is realized in accordance with the useful life of these assets.

22.3. Gains (Losses) Recognized in Equity

These refer to the fair value adjustments of financial assets classified as Available-for-Sale and the actuarial gains and losses arising from the provision for payment of post-employment benefits.

	Dec 31, 2012	Dec 31, 2011
Federal government securities		
Opening balance	5,621,981	1,815,090
Fair value adjustment	6,705,393	3,955,266
Write-off	(49,698)	(148,375)
Closing balance	12,277,676	5,621,981
Gold		
Opening balance	2,611,516	2,478,928
Fair value adjustment	93,604	132,588
Closing balance	2,705,120	2,611,516
Quotas of International Financial Organizations		
Opening balance	(4,797,498)	(6,060,939)
Fair value adjustment	1,115,232	1,263,441
Closing balance	(3,682,266)	(4,797,498)
Actuarial gains and losses		
Opening balance	(11,340,822)	(9,016,067)
Actuarial gain (loss) in the period	(5,164,603)	(2,324,755)
Closing balance	(16,505,425)	(11,340,822)
Total	(5,204,895)	(7,904,823)

The variation in the balance of gains (losses) recognized directly in equity arose, mainly, from the positive fair value adjustment of federal government securities and the quotas of international financial organizations, partly offset by the actuarial loss recognized in the period (Note 20.2).

23 - NET INTEREST RESULT

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

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

	2012	2011
Interest income	91,982,951	94,035,581
In foreign currencies	97,070	155,767
Cash and cash equivalents (note 4)	33,497	64,283
Time Deposits Placed with Financial Institutions (Note 5)	39,107	68,892
Reverse repo (Note 7.1)	16,605	13,656
Loans	1,449	7,611
Other	6,412	1,325
In local currency	91,885,881	93,879,814
Securities (Note 9.2)	89,429,697	84,303,141
Federal Government (Note 10)	698,894	8,451,476
Other	1,757,290	1,125,197
Interest expenses	(124,609,597)	(126,430,149)
In foreign currencies	(27,006)	(34,013)
Repo (Note 7.1)	(16,712)	(3,292)
Loans	(9,152)	(30,207)
Other	(1,142)	(514)
In local currency	(124,582,591)	(126,396,136)
Deposits received from financial institutions (Note 17)	(24,384,100)	(35,163,417)
Repo (Note 7.2)	(45,032,330)	(45,684,626)
Federal Government (Note 10)	(52,474,648)	(43,534,793)
Other	(2,691,513)	(2,013,300)
Net interest result	(32,626,646)	(32,394,568)

Although the net interest result was practically stable, some offsetting variations were recorded in the period, especially:

- an increase in the income from interest on operations with securities in local currency, due to the increase in the portfolio of federal government securities in the period (Note 9.2);
- a decrease in the income from interest on operations with the Federal Government, as a result of the receipt, in January 2012, of the amounts related to the results from the foreign exchange equalization in the second half of 2010 and first half of 2011;
- a decrease in the expenses with the remuneration of the deposits received from financial institutions, which is associated with the decrease in the balance of remunerated reserve requirements (Note 17); and
- an increase in the expenses with the remuneration of obligations with the Federal Government, due to the increase in the balance of the National Treasury Operational Account and of the results from the foreign exchange equalization to be transferred, referring to the second half of 2011 and first half of 2012 (Note 10).

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

These refer to the changes in price of the assets classified in this category and include foreign exchange variation, interest and mark-to-market adjustments.

	2012	2011
In Foreign Currencies	72,891,414	87,383,195
Securities (Note 9.1)	70,055,142	87,188,218
Funds under External Management (Note 6)	2,188,850	80,348
Other	647,422	114,629
In Local Currency	(21,184,464)	(43,346,434)
Derivatives (Note 8.2)	(21,184,990)	(43,346,426)
Other	526	(8)
Total	51,706,950	44,036,761

The variation is due, mainly, to the exchange variation effect. As, in 2012, the effects of the depreciation of the Real against the main foreign currencies in the period (Note 3.3) were lower than in the prior year, the appreciation of the assets in foreign currency, mainly securities, was less than in 2011. On the other hand, the negative result in local currency, due to the exchange equalization operation between the National Treasury and the BCB was also lower (Note 8.2.2).

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

These include interest and mark-to-market adjustments of the receivables from the institutions under extrajudicial liquidation (Note 11.2.1), in the amount of R\$ 3,168,056 (R\$ 7,004,665 in 2011).

26 - GAINS (LOSSES) FROM FOREIGN EXCHANGE

These represent the result of foreign exchange restatement of the assets and liabilities in foreign currencies and in local currency, pegged to changes in the foreign exchange rates and that are not classified as At Fair Value through Profit or Loss.

	2012	2011
Gains (losses) from foreign exchange		
Cash and Cash Equivalents	2,285,905	1,382,603
Time Deposits Placed with Financial Institutions	3,182,300	4,297,615
Repurchase operations	65,187	(57,788)
Receivables	263,582	201,879
Gold	318,807	440,091
Items in the Course of Collection	(1,853,829)	95,512
Accounts payable	(753,130)	(906,887)
Deposits Received from International Financial Organizations	(765,751)	(931,457)
Other	(4,431)	46,714
Total	2,738,640	4,568,282

The gains (losses) above mainly arise from the depreciation of the Real against the main foreign currencies (Note 3.3). The variation, in turn, is due to the fact that in 2012 this foreign exchange depreciation was lower than that in the prior year.

27 - OTHER INCOME AND EXPENSES

	2012	2011
Other income	3,085,398	3,515,923
Fines	128,958	92,066
Transfer from the National Treasury	2,316,930	2,135,717
Court-ordered debts	163,589	396,454
Reversal of provision for lawsuits	58,945	75,529
Tariffs	196,665	206,938
Centrus surplus (Note 11.2.2.b)	-	532,458
Other	220,311	76,761
Other expenses	(3,457,669)	(3,259,653)
Personnel	(1,550,004)	(1,473,093)
Production and distribution of cash	(971,929)	(914,063)
Provision for litigation	(630,615)	(604,867)
Depreciation	(33,646)	(33,954)
Other administrative expenses	(271,475)	(233,676)

28 - INCOME STATEMENT**28.1. Result for the year**

The result for the year was positive in R\$ 24,614,729 (R\$ 23,471,410 in 2011), as shown in the table below:

	2012	2011
International Reserves Operations and Swaps	-	-
Profitability of the foreign currency reserves	76,538,953	93,605,377
Foreign exchange derivatives - Swaps in local currency	1,124,416	694,347
Foreign exchange equalization of reserves and derivatives (Profitability)	(77,663,369)	(94,299,724)
Other transactions in foreign currencies	(838,834)	(1,532,147)
Transactions in local currency	25,825,309	24,747,295
Interest income	91,885,881	93,879,814
Interest expenses	(124,582,591)	(126,396,136)
Foreign exchange equalization (Funding cost)	55,353,963	50,258,952
Mark-to-market - Institutions under liquidation	3,168,056	7,004,665
Other transactions in local currency	(371,746)	256,262
Net Income for the year	24,614,729	23,471,410

Because the profitability obtained with the management of the international reserves and foreign exchange derivatives (swaps) (Note 8.2.1) is neutralized through the exchange equalization, the BCB result is basically explained by the operations in local currency, where the reimbursement of the funding cost of resources used in the international reserves is highlighted - the second leg of the exchange equalization mechanism. The interest income and expenses from operations in local currency and the mark-to-market of the credits receivable from the institutions in liquidation also contributed to the result.

The result for the first half (R\$ 12,318,246) was transferred to the National Treasury in September 2012 and the result for the second half (R\$ 12,296,483) will be transferred no later than the 10th working day after the approval of these financial statements by the CMN (Note 1).

28.2. Comprehensive income

The purpose of the Statement of Comprehensive Income is to disclose the economic results of an entity, increasing the level of disclosure of the results beyond the concept of accounting results, which is usually disclosed through the Income Statement.

For the purpose of providing greater transparency to the statement of income, the statement of comprehensive income discloses the gains and losses recognized directly in net equity, the items of which are presented in Note 22.3.

29 - FINANCIAL INSTRUMENTS - BY CATEGORY**29.1. In foreign currencies**

	Dec 31, 2012		Dec 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	784,189,650	784,189,650	675,500,413	675,500,413
Loans and receivables	58,263,747	58,263,747	45,309,796	45,309,796
Available-for-sale	20,742,164	20,742,164	15,412,649	15,412,649
At fair value through profit or loss	705,183,739	705,183,739	614,777,968	614,777,968
Financial liabilities	19,341,850	19,341,850	23,913,425	23,913,425
Other liabilities	19,332,753	19,332,753	23,911,078	23,911,078
At fair value through profit or loss	9,097	9,097	2,347	2,347

29.2. In local currency

	Dec 31, 2012		Dec 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	1,023,245,219	1,108,453,424	905,924,393	927,930,736
Held-to-maturity	665,314,340	750,522,545	602,544,971	624,551,314
Loans and receivables	74,683,081	74,683,081	114,410,290	114,410,290
Available-for-sale	244,908,593	244,908,593	151,998,142	151,998,142
At fair value through profit or loss	38,339,205	38,339,205	36,970,990	36,970,990
Financial liabilities	1,551,751,841	1,551,751,841	1,355,319,986	1,355,319,986
Other liabilities	1,551,751,841	1,551,751,841	1,355,308,650	1,355,308,650
At fair value through profit or loss	-	-	11,336	11,336

Except for the operations with securities in local currency (Note 9.2), the fair value of the operations measured at amortized cost is not significantly different from the carrying value, considering that these relate to cash or short-term operations. Notes 31 to 35 present the BCB's risk policy for the management of financial assets and liabilities.

30 - FAIR VALUE - BY HIERARCHY

The methodologies for calculation of the fair value are classified according to the following hierarchy levels, which reflect the representativeness of the data used in their evaluations:

- Level 1 - price quotations of identical financial instruments, traded in an active market, without adjustments;

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

- Level 2 - prices quoted, not included in Level 1, observable for the asset or liability, directly or indirectly, including: (i) quotations of prices of similar financial instruments, traded in an active market; (ii) quotations of the prices of identical or similar financial instruments, traded on a market with little activity; and (iii) other relevant data observable for the financial instrument;
- Level 3 - non-observable data for the financial instrument, used in the measurement of financial assets or financial liabilities for which there are no observable data available or when there is little or no market activity on the evaluation date.

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

At Dec 31, 2012

	Level 1	Level 2	Level 3	Total
Assets in Foreign Currencies	<u>712,765,170</u>	<u>13,160,732</u>	-	<u>725,925,903</u>
Funds under External Management	-	13,092,735	-	13,092,735
Derivatives	-	67,998	-	67,998
Securities	692,023,006	-	-	692,023,006
Gold	7,316,622	-	-	7,316,622
Investment in International Financial Organizations	13,425,542	-	-	13,425,542
Assets in Local Currency	<u>244,923,790</u>	<u>1,738,394</u>	<u>36,585,614</u>	<u>283,247,798</u>
Derivatives	15,197	-	-	15,197
Federal Government Securities - LTN	244,908,593	-	-	244,908,593
Receivables - Institutions under Extrajudicial Liquidation	-	1,738,394	36,585,614	38,324,008
Liabilities in Foreign Currency	-	<u>9,097</u>	-	<u>9,097</u>
Derivatives	-	9,097	-	9,097

At Dec 31, 2011

	Level 1	Level 2	Level 3	Total
Assets in Foreign Currencies	<u>629,734,578</u>	<u>456,039</u>	-	<u>630,190,617</u>
Funds under External Management	-	455,689	-	455,689
Derivatives	-	350	-	350
Securities	614,321,929	-	-	614,321,929
Gold	3,102,339	-	-	3,102,339
Investment in International Financial Organizations	12,310,310	-	-	12,310,310
Assets in Local Currency	<u>151,998,142</u>	<u>1,699,477</u>	<u>35,271,513</u>	<u>188,969,132</u>
Federal Government Securities - LTN	151,998,142	-	-	151,998,142
Receivables - Institutions under Extrajudicial Liquidation	-	1,699,477	35,271,513	36,970,990
Liabilities in Foreign Currency	-	<u>2,347</u>	-	<u>2,347</u>
Derivatives	-	2,347	-	2,347
Liabilities in Local Currency	<u>11,336</u>	-	-	<u>11,336</u>
Derivatives	11,336	-	-	11,336

The credits receivable from institutions under liquidation that were subject to payment in installments, based on article 65 of Law 12,249, of 2010 (Note 11.2.1.b), are classified in Level 2 of the fair value hierarchy due to the fact that the methodology used for their measurement considers the present value of the cash flows, calculated based on the referential rates for DI x TR swaps made available by BM&FBovespa for the period of the payment in installments. The receivables that were not subject to payment in installments (Note 11.2.1.a) are classified in Level 3 of the fair value hierarchy due to the fact that the methodology used for their measurement considers the fair value of their collateral, as described in detail below, excluding the preferential receivables for the BCB:

- LFT - fair value based on market prices;
- NTN-A3 - fair value based on the implicit discount rates in the trading of similar instruments (Global Bonds);

- c) FCVS/CVS - fair value based on the referential rates of the DI vs. TR swaps made available by BM&FBovespa for the term of the contracts.

No alternative methodology, although also considered appropriate, was identified which might serve as a basis for calculating the impact of its use in the measurement of the fair value of the collateral represented by FCVS and CVS.

There were no material transfers of financial instruments classified in Level 1 of the fair value hierarchy to Level 2 during the fiscal year 2012.

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

	2012	2011
Opening balance	35,271,513	30,052,493
Changes	1,314,101	5,219,020
Fair value adjustment	3,635,039	8,527,544
Transfer into Level 2	-	(3,308,527)
Derecognition	(2,320,936)	-
Other	(3)	3
Closing balance	36,585,614	35,271,513

31 - RISK MANAGEMENT

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

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

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

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

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

b) Financial instruments intended for executing the monetary policy:

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

Notes 32 to 35 present the main risks to which these two portfolios of financial instruments are exposed, as well as the policy for management of these risks.

32 - CREDIT RISK

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

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

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

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

a.1) Minimum ratings

Operations subject to bank credit risk, such as deposits, repos, reverse repos, swaps and forwards, should be contracted with counterparties belonging to groups with a short term rating of P-1 and a minimum long-term rating of Aa, except for repos and reverse repos, for which operations with counterparties belonging to groups with a minimum long-term rating equal to A is permitted.

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

a.2) Maximum amounts of exposure

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

Operations with bank credit risk whose counterparties are the BIS, the European Central Bank, the Banque de France or central banks of countries with a long-term rating of Aaa have no exposure limits.

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

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

a.3) Maximum terms

The maximum term for operations with bank credit risk is six months, except for deposits. In this case, deposits with counterparties belonging to groups classified with a rating of Aa may be contracted for a maximum of one working day and deposit operations with counterparties belonging to groups with a rating of Aaa may be contracted for a maximum of one week.

Operations with bank credit risk whose counterparties are the BIS, the European Central Bank, the Banque de France or central banks of countries with a long-term rating of Aaa shall respect the maximum term of six months for the investment.

b) Financial instruments intended for executing the monetary policy:

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

Swaps are contracted on BM&FBovespa, a clearing house which is the central counterparty of the operations. BM&FBovespa has a policy for control of the credit risk through collateral requirements from all the members.

The amount of these guarantees is calculated using stress tests, which consider the total possible loss until the date of the settlement of the contracts. The collaterals may be established in federal government securities, bank guarantees, bank deposit certificates, shares, gold or in cash, amongst others. The majority of the members of the clearinghouse, including the BCB, establish the collaterals through the delivery of federal government securities, which are assessed at a defensive price, lower than the market quotation.

c) Concentration of financial assets by geographic area:

	Dec 31, 2012	Dec 31, 2011
Brazil	1,036,043,342	907,381,538
European Economic Community	134,417,233	149,995,509
United States	553,437,377	453,702,133
Other	83,536,917	70,345,626
Total	1,807,434,869	1,581,424,806

d) Concentration of financial assets by type of counterparty:

At Dec 31, 2012

	Financial institutions	International organizations	Government institutions	Other	Total
Cash and Cash Equivalents	3,419,859	8,640,016	1,597,219	-	13,657,094
In foreign currency	3,399,376	8,640,016	1,597,219	-	13,636,611
In local currency	20,483	-	-	-	20,483
Deposits	1,428,823	11,444,916	17,681,796	306,501	30,862,036
In foreign currency	-	11,444,916	17,681,796	306,501	29,433,213
In local currency	1,428,823	-	-	-	1,428,823
Funds under External Management	1,742,173	653,054	9,994,885	702,623	13,092,735
In foreign currency	1,742,173	653,054	9,994,885	702,623	13,092,735
Financial Assets Purchased Under Resale Agreements	73,676,106	-	-	-	73,676,106
In foreign currency	11,826,109	-	-	-	11,826,109
In local currency	61,849,997	-	-	-	61,849,997
Derivatives	67,239	759	-	15,197	83,195
In foreign currency	67,239	759	-	-	67,998
In local currency	-	-	-	15,197	15,197
Securities	-	9,035,082	1,569,774,585	23,436,273	1,602,245,940
In foreign currency	-	9,035,082	659,551,651	23,436,273	692,023,006
In local currency	-	-	910,222,934	-	910,222,934
Receivables from the Federal Government	-	-	9,900,636	-	9,900,636
Receivables	166,092	3,239,477	-	39,749,901	43,155,470
In foreign currency	-	3,239,477	-	128,337	3,367,814
In local currency	166,092	-	-	39,621,564	39,787,656
Investment in International Financial Organizations	-	13,425,542	-	-	13,425,542
Other	-	-	7,316,622	19,493	7,336,115
In foreign currency	-	-	7,316,622	-	7,316,622
In local currency	-	-	-	19,493	19,493
Total assets	80,500,292	46,438,846	1,616,265,743	64,229,988	1,807,434,869

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

At Dec 31, 2011

	Financial institutions	International organizations	Government institutions	Other	Total
Cash and Cash Equivalents	2,603,408	7,936,313	2,268,859	-	12,808,580
In foreign currency	2,602,839	7,936,313	2,268,859	-	12,808,011
In local currency	569	-	-	-	569
Deposits	623,908	9,987,943	14,204,536	281,334	25,097,721
In foreign currency	-	9,987,943	14,204,536	281,334	24,473,813
In local currency	623,908	-	-	-	623,908
Funds under External Management	-	455,689	-	-	455,689
In foreign currency	-	455,689	-	-	455,689
Financial Assets Purchased Under Resale Agreements	15,158,933	-	-	-	15,158,933
In foreign currency	5,858,935	-	-	-	5,858,935
In local currency	9,299,998	-	-	-	9,299,998
Derivatives	350	-	-	-	350
In foreign currency	350	-	-	-	350
Securities	-	26,820,356	1,296,059,138	45,985,548	1,368,865,042
In foreign currency	-	26,820,356	541,516,025	45,985,548	614,321,929
In local currency	-	-	754,543,113	-	754,543,113
Receivables from the Federal Government	-	-	101,274,835	-	101,274,835
Receivables	2,215,354	2,160,171	-	37,951,102	42,326,627
In foreign currency	-	2,160,171	-	8,866	2,169,037
In local currency	2,215,354	-	-	37,942,236	40,157,590
Investment in International Financial Organizations	-	12,310,310	-	-	12,310,310
Other	2	-	3,102,339	24,378	3,126,719
In foreign currency	-	-	3,102,339	-	3,102,339
In local currency	2	-	-	24,378	24,380
Total assets	20,601,955	59,670,782	1,416,909,707	84,242,362	1,581,424,806

33 - MARKET RISK

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

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

The market risk of the international reserves is monitored using Value at Risk (VaR) models. The VaR of the international reserves and limits authorized by the Board of Directors of the BCB for active management are observed daily and variations are permitted in relation to the reference portfolio, in order to take advantage of eventual opportunities on the market. The volatility of the model is calculated using an exponentially weighted moving average, with a confidence level of 95%. Back testings are performed and quarterly reports are presented to the Board of Directors.

b) Financial instruments intended for executing the monetary policy:

The market risk arising from these instruments is monitored through the managerial VaR of the Monetary Policy Area, which includes all the effective exposures of the international reserves portfolios and of the definitive portfolio of federal government securities.

33.1. Interest rate risk

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

BANCO CENTRAL DO BRASIL
NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012

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

	Dec 31, 2012		Dec 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Fixed rate	1,228,392,066	408,012,637	933,977,906	211,312,636
Floating	556,761,945	1,105,059,151	629,431,232	1,102,213,477
Without interest	22,280,858	58,021,903	18,015,668	65,707,298
Total	1,807,434,869	1,571,093,691	1,581,424,806	1,379,233,411

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

At Dec 31, 2012							
	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Without interest	Total
Assets							
Cash and Cash Equivalents	13,053,418	-	-	-	-	603,676	13,657,094
In foreign currency	13,053,418	-	-	-	-	583,193	13,636,611
In local currency	-	-	-	-	-	20,483	20,483
Deposits	23,300,564	7,561,472	-	-	-	-	30,862,036
In foreign currency	21,871,741	7,561,472	-	-	-	-	29,433,213
In local currency	1,428,823	-	-	-	-	-	1,428,823
Funds under External Management	753,406	1,914,586	970,232	6,251,464	2,613,489	589,558	13,092,735
In foreign currency	753,406	1,914,586	970,232	6,251,464	2,613,489	589,558	13,092,735
Financial Assets Purchased Under Resale Agreements	64,294,330	9,381,776	-	-	-	-	73,676,106
In foreign currency	2,444,333	9,381,776	-	-	-	-	11,826,109
In local currency	61,849,997	-	-	-	-	-	61,849,997
Derivatives	-	-	-	-	-	83,195	83,195
In foreign currency	-	-	-	-	-	67,998	67,998
In local currency	-	-	-	-	-	15,197	15,197
Securities	518,827,690	60,380,717	45,415,439	866,185,173	111,436,921	-	1,602,245,940
In foreign currency	428,080	29,296,822	14,387,175	597,579,722	50,331,207	-	692,023,006
In local currency	518,399,610	31,083,895	31,028,264	268,605,451	61,105,714	-	910,222,934
Receivables from the Federal Government	9,900,595	-	-	-	-	41	9,900,636
Receivables	42,912,739	-	-	-	-	242,731	43,155,470
In foreign currency	3,367,814	-	-	-	-	-	3,367,814
In local currency	39,544,925	-	-	-	-	242,731	39,787,656
Investment in International Financial Organizations	-	-	-	-	-	13,425,542	13,425,542
Other	-	-	-	-	-	7,336,115	7,336,115
In foreign currency	-	-	-	-	-	7,316,622	7,316,622
In local currency	-	-	-	-	-	19,493	19,493
Total assets (A)	673,042,742	79,238,551	46,385,671	872,436,637	114,050,410	22,280,858	1,807,434,869
Liabilities							
Items in the Course of Collection	-	-	-	-	-	109,691	109,691
In foreign currency	-	-	-	-	-	76,880	76,880
In local currency	-	-	-	-	-	32,811	32,811
Deposits Received from Financial Institutions	271,986,713	-	6,280	-	-	48,105,765	320,098,758
In foreign currency	-	-	-	-	-	1,453	1,453
In local currency	271,986,713	-	6,280	-	-	48,104,312	320,097,305
Financial Assets Sold Under Repurchase Agreements	467,413,210	130,438,070	-	-	-	-	597,851,280
In foreign currency	285,659	350,698	-	-	-	-	636,357
In local currency	467,127,551	130,087,372	-	-	-	-	597,214,923
Derivatives	-	-	-	-	-	9,097	9,097
In foreign currency	-	-	-	-	-	9,097	9,097
Payables to the Federal Government	633,537,608	-	-	-	-	-	633,537,608
Accounts payable	9,689,907	-	-	-	-	216,420	9,906,327
In foreign currency	9,067,027	-	-	-	-	-	9,067,027
In local currency	622,880	-	-	-	-	216,420	839,300
Deposits Received from International Financial Organizations	-	-	-	-	-	9,551,725	9,551,725
In foreign currency	-	-	-	-	-	9,547,147	9,547,147
In local currency	-	-	-	-	-	4,578	4,578
Other	-	-	-	-	-	29,205	29,205
In foreign currency	-	-	-	-	-	3,889	3,889
In local currency	-	-	-	-	-	25,316	25,316
Total liabilities (B)	1,382,627,438	130,438,070	6,280	-	-	58,021,903	1,571,093,691
Net position (A - B)	(709,584,696)	(51,199,519)	46,379,391	872,436,637	114,050,410	(35,741,045)	236,341,178

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

At Dec 31, 2011							
	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Without interest	Total
Assets							
Cash and Cash Equivalents	12,339,394	-	-	-	-	469,186	12,808,580
In foreign currency	12,339,394	-	-	-	-	468,617	12,808,011
In local currency	-	-	-	-	-	569	569
Deposits	14,685,216	10,412,505	-	-	-	-	25,097,721
In foreign currency	14,061,308	10,412,505	-	-	-	-	24,473,813
In local currency	623,908	-	-	-	-	-	623,908
Funds under External Management	455,689	-	-	-	-	-	455,689
In foreign currency	455,689	-	-	-	-	-	455,689
Financial Assets Purchased Under Resale Agreements	9,432,403	5,726,530	-	-	-	-	15,158,933
In foreign currency	132,405	5,726,530	-	-	-	-	5,858,935
In local currency	9,299,998	-	-	-	-	-	9,299,998
Derivatives	-	-	-	-	-	350	350
In foreign currency	-	-	-	-	-	350	350
Securities	502,683,290	23,934,370	68,943,297	672,963,013	100,341,072	-	1,368,865,042
In foreign currency	98,226	23,934,370	28,170,193	514,948,946	47,170,194	-	614,321,929
In local currency	502,585,064	-	40,773,104	158,014,067	53,170,878	-	754,543,113
Receivables from the Federal Government	101,274,794	-	-	-	-	41	101,274,835
Receivables	40,217,565	-	-	-	-	2,109,062	42,326,627
In foreign currency	2,169,037	-	-	-	-	-	2,169,037
In local currency	38,048,528	-	-	-	-	2,109,062	40,157,590
Investment in International Financial Organizations	-	-	-	-	-	12,310,310	12,310,310
Other	-	-	-	-	-	3,126,719	3,126,719
In foreign currency	-	-	-	-	-	3,102,339	3,102,339
In local currency	-	-	-	-	-	24,380	24,380
Total assets (A)	681,088,351	40,073,405	68,943,297	672,963,013	100,341,072	18,015,668	1,581,424,806
Liabilities							
Items in the Course of Collection	259,327	-	-	-	-	588,810	848,137
In foreign currency	259,327	-	-	-	-	569,525	828,852
In local currency	-	-	-	-	-	19,285	19,285
Deposits Received from Financial Institutions	369,180,327	-	-	-	-	55,746,301	424,926,628
In foreign currency	-	-	-	-	-	1,333	1,333
In local currency	369,180,327	-	-	-	-	55,744,968	424,925,295
Financial Assets Sold Under Repurchase Agreements	315,123,684	41,947,093	-	-	-	-	357,070,777
In foreign currency	131,258	5,761,403	-	-	-	-	5,892,661
In local currency	314,992,426	36,185,690	-	-	-	-	351,178,116
Derivatives	-	-	-	-	-	13,683	13,683
In foreign currency	-	-	-	-	-	2,347	2,347
In local currency	-	-	-	-	-	11,336	11,336
Payables to the Federal Government	578,190,914	-	-	-	-	-	578,190,914
Accounts payable	9,084,095	-	-	-	-	200,423	9,284,518
In foreign currency	8,324,770	-	-	-	-	-	8,324,770
In local currency	759,325	-	-	-	-	200,423	959,748
Deposits Received from International Financial Organizations	-	-	-	-	-	8,865,352	8,865,352
In foreign currency	-	-	-	-	-	8,863,307	8,863,307
In local currency	-	-	-	-	-	2,045	2,045
Other	-	135	-	-	-	33,267	33,402
In foreign currency	-	135	-	-	-	20	155
In local currency	-	-	-	-	-	33,247	33,247
Total liabilities (B)	1,271,838,347	41,947,228	-	-	-	65,447,836	1,379,233,411
Net position (A - B)	(590,749,996)	(1,873,823)	68,943,297	672,963,013	100,341,072	(47,432,168)	202,191,395

33.2. Exchange Rate Risk

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

BANCO CENTRAL DO BRASIL
NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012

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

At December 31, 2012 and 2011, the distribution of assets and liabilities per currency was as follows:

At Dec 31, 2012	U.S. Dollar	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Other	Total
Assets								
Cash and Cash Equivalents	4,021,113	592,217	336,459	410,384	90,821	8,145,373	40,244	13,636,611
Time Deposits Placed with Financial Institutions	26,669,833	-	616,441	2,146,939	-	-	-	29,433,213
Funds under External Management	8,908,941	1,169,295	720,193	802,691	794,358	-	697,257	13,092,735
Financial Assets Purchased Under Resale Agreements	11,475,277	207,507	-	-	129,271	-	14,054	11,826,109
Derivatives	67,998	-	-	-	-	-	-	67,998
Securities	537,367,972	37,875,016	43,029,740	19,726,520	22,032,824	-	31,990,934	692,023,006
Receivables	128,337	-	-	-	-	3,239,477	-	3,367,814
Investment in International Financial Organizations	-	-	-	-	-	13,425,542	-	13,425,542
Other	7,316,622	-	-	-	-	-	-	7,316,622
Total assets (A)	595,956,093	39,844,035	44,702,833	23,086,534	23,047,274	24,810,392	32,742,489	784,189,650
Liabilities								
Items in the Course of Collection	21,565	-	-	-	50,861	-	4,454	76,880
Deposits Received from Financial Institutions	1,453	-	-	-	-	-	-	1,453
Financial Assets Sold Under Repurchase Agreements	350,698	285,659	-	-	-	-	-	636,357
Derivatives	9,097	-	-	-	-	-	-	9,097
Accounts payable	-	-	-	-	-	9,067,027	-	9,067,027
Deposits Received from International Financial Organizations	76,442	-	-	-	-	9,470,292	413	9,547,147
Other	3,889	-	-	-	-	-	-	3,889
Total liabilities (B)	463,144	285,659	-	-	50,861	18,537,319	4,867	19,341,850
Net position (A - B)	595,492,949	39,558,376	44,702,833	23,086,534	22,996,413	6,273,073	32,737,622	764,847,800
At Dec 31, 2011								
Assets								
Cash and Cash Equivalents	4,013,440	544,756	272,728	185,447	288,942	7,464,878	37,820	12,808,011
Time Deposits Placed with Financial Institutions	22,699,602	608,415	-	1,165,796	-	-	-	24,473,813
Funds under External Management	455,689	-	-	-	-	-	-	455,689
Financial Assets Purchased Under Resale Agreements	5,506,318	135,554	8,278	-	157,670	-	51,115	5,858,935
Derivatives	350	-	-	-	-	-	-	350
Securities	482,797,439	31,278,460	38,559,553	17,885,156	19,728,750	-	24,072,571	614,321,929
Receivables	8,866	-	-	-	-	2,160,171	-	2,169,037
Investment in International Financial Organizations	-	-	-	-	-	12,310,310	-	12,310,310
Other	3,102,339	-	-	-	-	-	-	3,102,339
Total assets (A)	518,584,043	32,567,185	38,840,559	19,236,399	20,175,362	21,935,359	24,161,506	675,500,413
Liabilities								
Items in the Course of Collection	-	637,737	-	-	191,115	-	-	828,852
Deposits Received from Financial Institutions	1,333	-	-	-	-	-	-	1,333
Financial Assets Sold Under Repurchase Agreements	358,044	54,416	-	-	38,223	-	5,441,978	5,892,661
Derivatives	1,476	871	-	-	-	-	-	2,347
Accounts payable	9,327	-	-	-	-	8,315,443	-	8,324,770
Deposits Received from International Financial Organizations	78,877	-	-	-	-	8,784,426	4	8,863,307
Other	155	-	-	-	-	-	-	155
Total liabilities (B)	449,212	693,024	-	-	229,338	17,099,869	5,441,982	23,913,425
Net position (A - B)	518,134,831	31,874,161	38,840,559	19,236,399	19,946,024	4,835,490	18,719,524	651,586,988

33.3. Foreign exchange equalization

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

a) Equalization of the carrying cost of the international reserves:

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

The table below presents the BCB's net position in foreign currency, as at December 31, 2012 and 2011, adjusted by the position assumed in the foreign exchange equalization:

	Dec 31, 2012	Dec 31, 2011
Net position in foreign currency	764,847,800	651,586,988
Foreign exchange equalization	(774,392,228)	(660,161,744)
Exposure in foreign currency	(9,544,428)	(8,574,756)

With respect to the interest rate, the result obtained by the BCB in the foreign exchange equalization operations, based on the average balance of the international reserves in the period, was 6.04% positive, since the funding cost covered by the Treasury was 7.63%, while the result from interest (including mark-to-market) of international reserves transferred to the Treasury was 1.59% positive.

b) Equalization of the foreign exchange swaps conducted on the domestic market:

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

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

33.4. Sensitivity analysis

The foreign exchange equalization operation (Notes 8.2.2 and 33.3) reduced the volatility of the BCB's result, arising from price changes inherent to the international reserves. Additionally, the classification of a large part of the securities portfolio in local currency in the category Held-to-Maturity (Note 3.4.5) reduced the mark-to-market component of assets, making the BCB's daily results barely susceptible to market variables and more influenced by the accrual of interest. Accordingly, the impact of price variations on the BCB's result was reduced compared to other sources of results, which made the calculation of the VaR of the accounting result inappropriate for measuring risks from changes in market prices. Accordingly, as from 2011, the BCB chose to replace the calculation of the VaR with a sensitivity analysis.

The following table presents the BCB's main exposures to market risk factors as at December 31, 2012:

	Exchange rate	Foreign exchange coupon curve	Foreign currencies interest curve	Fixed interest curve in Reais	Referential rate interest curve
Exchange rate swap	(4,219,827)	(4,219,827)	-	-	-
International reserves	774,392,228	-	774,392,228	-	-
Accounts payable in foreign currencies	9,067	-	-	-	-
Federal Government Securities - LTN	-	-	-	244,908,593	-
Receivables from institutions under liquidation	6,684,721	6,684,721	-	-	25,191,578

For the purpose of analyzing the impacts on the BCB's financial statements resulting from changes in the various risk factors involved, the potential results of adverse changes were simulated for five risk factors: exchange rate of the Real against the foreign currencies that comprise the international reserves, foreign exchange coupon curve, interest curves of the foreign currencies that comprise the international reserves, fixed interest curve in Reais and interest curve of the TR. For the exchange rate, 20% appreciation of the Real against the other currencies was simulated. For the foreign exchange coupon curves, fixed interest in Reais and the TR, a parallel shift of one percentage point above these curves was simulated. For the interest curves of the currencies that comprise the international reserves, a parallel shift of half a percentage point above these curves was simulated. The simulations consider only the immediate results of the price changes, ignoring the effect of the loading over time.

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

	20% appreciation of the Real against other currencies	Parallel shift of 1 percentage point of the foreign exchange coupon curve	Parallel shift of 0.5 percentage point of the foreign currencies interest curve	Parallel shift of 1 percentage point of prefixed interest curve in Reais	Parallel shift of 1 percentage point of the referential rate interest curve
Exchange rate swap	840,835	3,326	-	-	-
International reserves	(154,878,446)	-	(9,440,561)	-	-
Accounts payable in foreign currencies	1,813	-	-	-	-
Federal Government Securities - LTN	-	-	-	(3,725,083)	-
Receivables from institutions under liquidation	(1,336,944)	(539,205)	-	-	(1,156,131)
Foreign exchange equalization	153,261,310	(3,326)	9,440,561	-	-
Net impact	<u>(2,111,432)</u>	<u>(539,205)</u>	<u>-</u>	<u>(3,725,083)</u>	<u>(1,156,131)</u>
on the result	573,676	(539,205)	-	-	(1,156,131)
on equity	(2,685,108)	-	-	(3,725,083)	-

34 - LIQUIDITY RISK

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

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

The purpose of the management of the liquidity risk is to ensure that the BCB fulfills all the financial commitments that it has assumed. Accordingly, there is a policy for diversification of maturities and also the establishment of limits aiming at ensuring that the securities purchased may be traded in the secondary market without causing abrupt changes in the prices of the assets. Due to these guidelines, even securities with longer maturities have immediate liquidity.

b) Financial instruments intended for executing the monetary policy:

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

c) Maturity terms:

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

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

At Dec 31, 2012						
	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	13,636,611	-	-	-	-	13,636,611
Time Deposits Placed with Financial Institutions	21,871,741	7,561,472	-	-	-	29,433,213
Funds under External Management	1,342,963	1,914,586	970,232	6,251,465	2,613,489	13,092,735
Financial Assets Purchased Under Resale Agreements	2,444,333	9,381,776	-	-	-	11,826,109
Derivatives	67,998	-	-	-	-	67,998
Securities	428,080	29,296,823	14,387,175	597,579,722	50,331,206	692,023,006
Receivables	128,337	-	-	3,239,477	-	3,367,814
Investment in International Financial Organizations (*)	-	-	-	-	13,425,542	13,425,542
Other (*)	-	-	-	-	7,316,622	7,316,622
Total assets (A)	39,920,063	48,154,657	15,357,407	607,070,664	73,686,859	784,189,650
Liabilities						
Items in the Course of Collection	76,880	-	-	-	-	76,880
Deposits Received from Financial Institutions	1,453	-	-	-	-	1,453
Financial Assets Sold Under Repurchase Agreements	285,659	350,698	-	-	-	636,357
Derivatives	9,097	-	-	-	-	9,097
Accounts payable	-	-	-	-	9,067,027	9,067,027
Deposits Received from International Financial Organizations	-	-	-	-	9,547,147	9,547,147
Other	3,889	-	-	-	-	3,889
Total liabilities (B)	376,978	350,698	-	-	18,614,174	19,341,850
Net position (A - B)	39,543,085	47,803,959	15,357,407	607,070,664	55,072,685	764,847,800

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

At Dec 31, 2011						
	Up to one month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	12,808,011	-	-	-	-	12,808,011
Time Deposits Placed with Financial Institutions	14,061,308	10,412,505	-	-	-	24,473,813
Funds under External Management	455,689	-	-	-	-	455,689
Financial Assets Purchased Under Resale Agreements	132,405	5,726,530	-	-	-	5,858,935
Derivatives	310	40	-	-	-	350
Securities	98,226	23,934,370	28,170,193	514,948,946	47,170,194	614,321,929
Receivables	8,866	-	-	2,160,171	-	2,169,037
Investment in International Financial Organizations (*)	-	-	-	-	12,310,310	12,310,310
Other (*)	-	-	-	-	3,102,339	3,102,339
Total assets (A)	27,564,815	40,073,445	28,170,193	517,109,117	62,582,843	675,500,413
Liabilities						
Items in the Course of Collection	828,852	-	-	-	-	828,852
Deposits Received from Financial Institutions	-	-	-	-	1,333	1,333
Financial Assets Sold Under Repurchase Agreement	131,258	5,761,403	-	-	-	5,892,661
Derivatives	2,341	6	-	-	-	2,347
Accounts payable	9,327	-	-	-	8,315,443	8,324,770
Deposits Received from International Financial Organizations	-	-	-	-	8,863,307	8,863,307
Other	20	135	-	-	-	155
Total liabilities (B)	971,798	5,761,544	-	-	17,180,083	23,913,425
Net position (A - B)	26,593,017	34,311,901	28,170,193	517,109,117	45,402,760	651,586,988

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

35 - OPERATIONAL RISK

Operational risk is the risk of a financial loss, damage to reputation or inability to achieve the objectives of the business, resulting from one or more causes of risk, originating from human factors, or defective or inadequate processes or systems, or external events. The BCB uses the Advanced Measurement Approach (AMA) for the management of the operational risk, within an integrated view of risk management, which assumes the use of self-assessment of risks and controls, register of events, key risk indicators, mitigation plans, among other aspects. Therefore, it uses IT tools developed internally for the management of risks.

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

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

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

36 - RELATED PARTIES

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

36.1. Federal Government

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

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

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

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

a) Deposits to the Order of the Federal Government:

The financial resources of the federal government are deposited in the BCB (National Treasury Operating Account), they can be freely utilized and are remunerated by the average yield of the federal government securities that exist in the BCB's portfolio (Note 10), excluding the result from mark-to market adjustments. In 2012, the yield was 11.20% (12.55% in 2011).

b) The BCB's Result:

A profit earned by the BCB, after the formation or reversal of reserves, creates an obligation of the BCB to the Federal Government, which must be transferred no later than the 10th working day after the approval of the financial statements by the CMN. If there is a loss, this result creates a credit for the BCB against the Federal Government, which must be paid no later than the 10th working day of the year subsequent to the approval of the financial statements. In both situations, these amounts must be adjusted by the same indexes applied to the account Deposits to the Order of the Federal Government, until the date of the actual transfer or payment (Notes 10 and 37).

c) Foreign exchange equalization:

Through the foreign exchange equalization operation (Notes 8.2.2 and 33.3), the carrying cost of the international reserves and the result of the exchange rate swaps carried out on the domestic market are transferred to the Federal Government, through the National Treasury. These amounts are computed daily and the balance payable or receivable is calculated on the last day of the six-month period, and will be settled financially according to the same rules established for the transfer or coverage of the results, also with respect to their adjustment (Note 10).

d) Transfer from the National Treasury:

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

e) Payment of lawsuits:

The payments resulting from res judicata legal decisions in which the Federal Government and its autonomous agencies have been sentenced, have been made by competent courts, which are responsible for requesting budgetary and financial authorization (Notes 18.2 and 20.1). In 2012, court-ordered debts were paid in the amount of R\$ 163,589 (R\$396,454 in 2011), referring to lawsuits where the BCB was sentenced.

f) Use of securities as a monetary policy instrument:

The BCB uses securities issued by the National Treasury to carry out its monetary policy. All the purchases and sales of securities that take place between the BCB and the National Treasury are performed at market price.

g) Providing of services for the placement of securities:

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

h) Brazilian Sovereign Wealth Fund:

The Brazilian Sovereign Wealth Fund (FSB) created by Law 11,887, of December 24, 2008, is a special fund of an accounting and financial nature linked to the Finance Ministry for the purpose of: (i) encouraging investments in assets in Brazil and abroad; (ii) forming public savings; (iii) mitigating the effects of economic cycles; and (iv) encouraging projects of strategic interest for Brazil located abroad. The form, term and nature of the investments of the FSB are approved by the Deliberative Council of the FSB (CDFSB), which comprises the State Minister of Finance, State Minister of Planning, Budget and Management, and the Governor of the BCB. Pursuant to Resolution 2, of September 17, 2010, of the CDFSB, the National Treasury was authorized to invest the fund's resources in the purchase and sale of foreign currencies or in the carrying out of other foreign exchange operations, including derivative contracts, through an agreement to be entered into with the BCB. An agreement was entered into between the National Treasury and the BCB for this purpose, however, until December 31, 2012, no operation had been carried out.

BANCO CENTRAL DO BRASIL**NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2012**

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

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

	2012	2011
National Treasury Operating Account		
Opening balance	475,622,276	404,516,398
(+) remuneration	50,083,969	43,198,798
(+/-) deposits/withdrawals	(54,072,218)	10,423,592
(+) transfer of positive result	148,767,264	17,483,488
Closing balance	620,401,291	475,622,276
Securities issued by the National Treasury		
Opening balance	754,543,113	703,175,643
(+/-) net purchase (net redemption)	59,594,425	(36,742,565)
(+) remuneration	89,429,703	84,303,142
(+/-) fair value adjustment	6,655,693	3,806,893
Closing balance	910,222,934	754,543,113
Result to be transferred to the National Treasury		
Opening balance	11,243,847	4,929,918
(+) positive result to be transferred	24,621,015	23,477,696
(+) remuneration	429,619	319,721
(-) transfers	(23,994,855)	(17,483,488)
Closing balance	12,299,626	11,243,847
Foreign exchange equalization		
Opening balance	-	-
(+/-) adjustments	(22,309,406)	(44,040,773)
(+/-) transfers for credit payable (receivable)	22,309,406	44,040,773
Closing balance	-	-
Receivable due to foreign exchange equalization result		
Opening balance	101,274,794	48,633,518
(+) foreign exchange equalization result	9,900,595	46,199,286
(+) remuneration	631,075	8,446,469
(-) amounts received	(101,905,869)	(2,004,479)
Closing balance	9,900,595	101,274,794
Credit payable due to foreign exchange equalization result		
Opening balance	(90,240,059)	-
(-) foreign exchange equalization result	(32,210,001)	(90,240,059)
(-) remuneration	(2,322,349)	-
(+) payments	124,772,409	-
Closing balance	-	(90,240,059)
Transfer under budget law	2,316,930	2,135,717

36.2. Centrus

Centrus, a nonprofit organization, is a private pension fund and its purpose is to supplement retirement benefits and pensions provided by the public social security system (Note 20.2). The BCB is the sponsor of Centrus and, accordingly, there were the following transactions between the entities:

	2012	2011
Actuarial surplus		
Opening balance	1,149,284	1,839,249
(+/-) actuarial gains/losses	(874,024)	(1,340,959)
(+) interest	407,372	650,994
Closing balance	682,632	1,149,284
Receivables		
Opening balance	966,887	289,283
(+) interest	109,716	166,090
(+) distribution of surplus	-	532,458
(+) reversal of tax contingency	166,255	-
(-) amounts received	(34,557)	(20,944)
Closing balance	1,208,301	966,887

The main changes observed in the period are due to the actuarial losses (Note 20.2), partly offset by the remuneration of the credit receivables and by the participation of the BCB in the reversal of tax contingencies in the period (Note 11.2.2.b).

36.3. Casa da Moeda do Brasil (CMB)

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

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

In 2012, the BCB purchased notes and coins in the amount of R\$ 827,739 (R\$ 788,304 in 2011).

36.4. Pension fund for employees of the Brazilian Mint (Cifrao)

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

36.5. Reserve for the Institutional Development of the BCB (Redi-BC)

The funds of the Redi-BC are intended to support the execution of relevant and essential projects focused on the BCB's institutional functioning and development and which aim at implementing the actions defined in its strategic planning. In 2012, Redi-BC spent R\$ 72,832 (R\$ 103,776 in 2011) to pay for the execution of projects and reimbursed the BCB R\$ 2,814 (R\$ 1,869 in 2011) as a management fee.

36.6. Personnel Assistance Fund (Faspe)

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

In 2012, the expenses incurred by the BCB as a contribution to Faspe totaled R\$ 73,408 (R\$ 71,453 in 2011).

36.7. Board of Directors and members occupying strategic positions

The BCB has eight Directors (including the Governor), an Executive Secretary, an Attorney General and 48 civil servants - consisting of Heads of Cabinet of Directors, Heads of Department and Executive Managers, considered as occupying strategic positions.

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

	2012	2011
Short-term benefits	21,203	20,058
Directors	3,082	2,787
Other members occupying strategic positions	18,121	17,271
Termination benefits	-	142
Total	21,203	20,200

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

The benefits resulting from termination of the work relationship comprise the compensatory remuneration payable to Board members after exoneration from the position they have occupied, due to the legal impediment to exercise activities or provide services in the sector of their performance for a period of four months as from exoneration.

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

37 - FISCAL RESPONSIBILITY LAW - MANDATORY INFORMATION**a) Impact and fiscal cost of operations - Fiscal Responsibility Law, paragraph 2 of Article 7:**

The sole paragraph of Article 8 of Law 4,595, of 1964, with the wording given by Decree-law 2,376, of November 25, 1987, establishes that "as from January 1st, 1988, the results obtained by the BCB, considering the income and expenses of all its operations, shall be determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years".

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

"Article 7. The positive result of the BCB, calculated after the formation or reversal of reserves, constitutes revenue of the National Treasury and will be transferred no later than the 10th working day subsequent to the approval of the semi-annual balance sheets.

Paragraph 1. The negative result will constitute a liability of the Treasury owed to the BCB and will be consigned in a specific budget allocation account."

Pursuant to Clause II of Article 2 of Provisional Measure 2179-36, of August 24, 2001, this negative result must be covered no later than the 10th working day of the year following the approval of the balance sheet by the CMN.

Accordingly:

- I - the BCB's result considers the revenues and expenses related to all its operations;
- II - the positive results are transferred as revenues to the National Treasury and the negative results are covered as expenses of the National Treasury;

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

The BCB presented a positive result of R\$ 2,916,055 in the third quarter and R\$ 9,380,428 in the fourth quarter, giving a total result of R\$ 12,296,483 in the second half of 2012 which, after the realization of reserves, will be transferred to the National Treasury no later than the 10th working day after the approval of the financial statements by the CMN. In conformity with paragraph 5 of Article 9 of the Fiscal Responsibility Law, within 90 days of the closing of the semester, the BCB shall present in a joint meeting of the pertinent thematic committees of the National Congress (including the Economic Affairs, Finance and Taxation and Public Budget Commission), an evaluation report on the fulfillment of the objectives and goals of the monetary, credit and foreign exchange policies, clearly showing the impact and the fiscal cost of its operations and the results presented in the balance sheets.

b) Cost of remunerating the deposits of the National Treasury - Fiscal Responsibility Law, paragraph 3 of Article 7:

In the 3rd quarter of 2012, the cost corresponding to the remuneration of the deposits of the National Treasury was R\$ 11,216,098 and R\$ 13,871,294 in the 4th quarter, totaling R\$ 25,087,392 in the second half of the year.

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

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

At December 31, 2012, 92.46% of the reserve assets were composed of securities, as published in the Press Release of the External Sector (table 49), available on the BCB's website (www.bcb.gov.br).

In the third quarter of 2012, the international reserves had a positive return of 1.698%. After deducting the BCB's funding costs, the net result of the reserves was negative by 0.110% (R\$ 840,720). In the fourth quarter, the return of the reserves was 0.496% positive, totaling 1.204% negative (R\$ 9,374,664) when taking into consideration the funding cost.

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance	Profitability			
	R\$ thousand	(%)	(%)	(%)	(R\$ thousand)
3rd quarter/2012	763,062,796	1.698	(1.808)	(0.110)	(840,720)
4th quarter/2012	778,646,899	0.496	(1.700)	(1.204)	(9,374,664)
Total for the six-month period					(10,215,384)

It should be pointed out that the foreign exchange restatement presents a difference resulting from the translation of the amounts of the reserve assets into Reais, and it is not a realized result from a financial point of view. Therefore, after excluding this restatement, in the third quarter of 2012, the international reserves presented a positive return of 0.749%, which is composed by accrued interest (0.283%) and the mark-to-market adjustment of the assets (0.466%). After deducting the funding costs, the net result of the reserves was negative by 1.059% (R\$ 8,080,734). In the fourth quarter, the profitability of the reserves was negative by 0.002% (0.261% through the incorporation of interest and 0.263% through mark-to-market adjustments of the assets), totaling 1.702% negative (R\$ 13,254,142) when considering the funding costs.

	International Reserves		Cost of Funding	Cost of Maintaining International Reserves	
	Average Balance	Profitability, excluding			
	(R\$ thousand)	exchange variation (%)	(%)	(%)	(R\$ thousand)
3rd quarter/2012	763,062,796	0.749	(1.808)	(1.059)	(8,080,734)
4th quarter/2012	778,646,899	(0.002)	(1.700)	(1.702)	(13,254,140)
Total for the six-month period					(21,334,874)

d) Profitability of the securities portfolio, disclosing those issued by the Federal Government - Fiscal Responsibility Law, paragraph 3 of Article 7:

The profitability of the BCB's securities portfolio, composed exclusively of securities issued by the Federal Government, was R\$ 20,918,716 in the third quarter and R\$ 23,255,568 in the fourth quarter, totaling R\$ 44,174,284 in the second half of 2012.

Governor: Alexandre Antonio Tombini

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

Head of the Accounting and Financial Department: Eduardo de Lima Rocha
Accountant - CRC-DF 12.005/O-9



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors
Banco Central do Brasil

We have audited the accompanying financial statements of Banco Central do Brasil ("BCB"), which comprise the balance sheet as at December 31, 2012 and the 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

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Central do Brasil as at December 31, 2012, and its financial performance and its cash flows in foreign currency for the year then ended, in accordance with International Financial Reporting Standards (IFRS).



Banco Central do Brasil

Other matters

Supplementary information

We have also audited the accounting information included in the supplementary information presented in Note 37, which is not required by the International Financial Reporting Standards (IFRS) but is being presented in compliance with the Fiscal Responsibility Law. This accounting information has been subjected to the same review procedures described above and, based on our opinion, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the financial statements taken as a whole.

Audit of prior-year information

The financial statements for the year ended December 31, 2011, presented for comparison purposes, were audited by another firm of auditors whose report, dated February 9, 2012, expressed an unmodified opinion on those statements.

Brasília, February 15, 2013

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

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

