



BANCO CENTRAL DO BRASIL
Administration Management
Accounting and Financial Department

Financial Statements

December 31, 2013

A S S E T S					L I A B I L I T I E S A N D E Q U I T Y				
	Notes	Dec 31, 2013	Dec 31, 2012 (Restated)	Jan 1, 2012 (Restated)		Notes	Dec 31, 2013	Dec 31, 2012 (Restated)	Jan 1, 2012 (Restated)
ASSETS IN FOREIGN CURRENCIES	4	900,658,954	784,189,650	675,500,413	LIABILITIES IN FOREIGN CURRENCIES	4	30,501,083	19,341,850	23,913,425
Cash and Cash Equivalents	5	23,284,414	13,636,611	12,808,011	Items in the Course of Collection	17	7,538,885	76,880	828,852
Time Deposits Placed with Financial Institutions	6.1	32,094,222	29,433,213	24,473,813	Deposits Received from Financial Institutions	18	1,665	1,453	1,333
Funds Under External Management	7	15,296,770	13,092,735	455,689	Financial Assets Sold Under Repurchase Agreements	8.1	375,385	636,357	5,892,661
Financial Assets Purchased Under Resale Agreements	8.1	40,632,086	11,826,109	5,858,935	Derivatives	9.1	308	9,097	2,347
Derivatives	9.1	-	67,998	350	Accounts Payable	19.1	10,416,377	9,067,027	8,324,770
Securities	10.1	763,304,951	692,023,006	614,321,929	Deposits Received from International Financial Organizations	20	12,164,179	9,547,147	8,863,307
Receivables	12.1	4,552,553	3,367,814	2,169,037	Other		4,284	3,889	155
Gold	13	6,072,028	7,316,622	3,102,339					
Investment in International Financial Organizations	14	15,421,930	13,425,542	12,310,310					
ASSETS IN LOCAL CURRENCY		1,007,026,968	1,024,758,273	907,911,058	LIABILITIES IN LOCAL CURRENCY		1,654,536,025	1,583,437,994	1,380,509,375
Cash and Cash Equivalents	5	471,600	20,483	569	Items in the Course of Collection	17	12,084	32,811	19,285
Deposits	6.2	1,513,042	1,428,823	623,908	Deposits Received from Financial Institutions	18	369,095,050	320,097,305	424,925,295
Financial Assets Purchased Under Resale Agreements	8.2	5,403	61,849,997	9,299,998	Financial Assets Sold Under Repurchase Agreements	8.2	568,885,481	597,214,923	351,178,116
Derivatives	9.2	27,855	15,197	-	Derivatives	9.2	1,079,227	-	11,336
Federal Government Securities	10.2	953,068,070	910,222,934	754,543,113	Payables to the Federal Government	11	687,081,449	636,328,424	580,802,429
Receivables from the Federal Government	11	10,971,117	9,900,636	101,274,835	Accounts Payable	19.2	876,655	839,300	959,748
Receivables	12.2	38,863,245	39,787,656	40,157,590	Deposits Received from International Financial Organizations	20	7,640	4,578	2,045
Property and Equipment	15	787,272	778,264	785,223	Provisions	21	27,466,016	28,895,337	22,577,874
Other	16	1,319,364	754,283	1,225,822	Other		32,423	25,316	33,247
					CURRENCY IN CIRCULATION	22	204,052,420	187,434,736	162,769,670
					EQUITY		18,596,394	18,733,343	16,219,001
					Capital	23.1	24,675,451	24,675,451	24,675,451
					Revenue Reserve	23.2	6,624,205	1,606,019	1,606,019
					Revaluation Reserve	23.2	441,299	447,584	453,869
					Gains (Losses) Recognized Directly in Equity	23.3	(13,144,561)	(7,995,711)	(10,516,338)
TOTAL ASSETS		1,907,685,922	1,808,947,923	1,583,411,471	TOTAL LIABILITIES AND EQUITY		1,907,685,922	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****2****In thousands of Reais**

	Notes	2013	2012
	4		(Restated)
Interest income		95,823,623	91,631,436
Interest expenses		<u>(129,893,275)</u>	<u>(124,172,385)</u>
Net interest result	24	(34,069,652)	(32,540,949)
 Gains (losses) on financial instruments classified as At Fair Value Through Profit or Loss, held for trading	25	60,745,354	51,706,950
 Gains (losses) on financial instruments classified as At Fair Value Through Profit or Loss, by designation of the management	26	2,153,248	3,168,056
 Gains (losses) from foreign currencies	27	4,762,115	2,419,833
 Gains (losses) from monetary gold	28	(1,244,595)	412,411
 Other income	29	3,228,676	3,085,398
 Other expenses	29	(3,619,264)	(3,457,669)
 NET INCOME FOR THE YEAR	30.1	<u>31,955,882</u>	<u>24,794,030</u>

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

BANCO CENTRAL DO BRASIL
COMPREHENSIVE INCOME STATEMENT
In thousands of Reais

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	Notes	2013	2012
	4		(Restated)
NET INCOME FOR THE YEAR	30.1	31,955,882	24,794,030
OTHER COMPREHENSIVE INCOME	23.3	(5,148,850)	2,520,627
Items which will not be reclassified to results		5,242,589	(4,135,068)
Investment in International Financial Organizations		1,996,388	1,115,232
Remeasurements of Defined Benefit Plans		3,246,201	(5,250,300)
Items which may be reclassified to results		(10,391,439)	6,655,695
Federal Government Securities		(10,391,439)	6,655,695
COMPREHENSIVE INCOME FOR THE YEAR	30.2	26,807,032	27,314,657

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

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

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	Notes	CAPITAL	REVENUE RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	TOTAL EQUITY
At December 31, 2012 - Restated	4	24,675,451	1,606,019	447,584	(7,995,711)	18,733,343
Realization of Revaluation Reserves	23.2	6,285	-	(6,285)	-	-
Gains (losses) recognized directly in Equity	23.3	-	-	-	(5,148,850)	(5,148,850)
Net income for the 1st half of 2013		17,688,071	-	-	-	17,688,071
Net income for the 2nd half of 2013		14,267,811	-	-	-	14,267,811
Net income for 2013	30.1	31,955,882	-	-	-	31,955,882
Constitution of Revenue Reserve	23.2	(5,018,186)	5,018,186	-	-	-
Result transferred to the National Treasury - 1st half of 2013	40.1.b	(12,673,028)	-	-	-	(12,673,028)
Result to be transferred to the National Treasury - 2nd half of 2013	40.1.b	(14,270,953)	-	-	-	(14,270,953)
At December 31, 2013		24,675,451	6,624,205	441,299	(13,144,561)	18,596,394
At December 31, 2011 - Restated	4	24,675,451	1,606,019	453,869	(10,516,338)	16,219,001
Realization of Revaluation Reserves	23.2	6,285	-	(6,285)	-	-
Gains (losses) recognized directly in Equity	23.3	-	-	-	2,520,627	2,520,627
Net income for the 1st half of 2012		12,499,142	-	-	-	12,499,142
Net income for the 2nd half of 2012		12,294,888	-	-	-	12,294,888
Net income for 2012	30.1	24,794,030	-	-	-	24,794,030
Result transferred to the National Treasury - 1st half of 2012	40.1.b	(12,502,284)	-	-	-	(12,502,284)
Result transferred to the National Treasury - 2nd half of 2012	40.1.b	(12,298,031)	-	-	-	(12,298,031)
At December 31, 2012 - Restated	4	24,675,451	1,606,019	447,584	(7,995,711)	18,733,343

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

BANCO CENTRAL DO BRASIL

STATEMENT OF FOREIGN CURRENCIES CASH FLOWS

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In thousands of Reais

	Note	2013	2012
<u>Net Cash Flow from Operating Activities</u>		6,770,395	(1,457,306)
Interest received		12,540,440	13,362,617
Interest paid		(6,965)	(10,699)
Sale (purchase) of securities		10,621,668	(20,806,281)
Purchase of foreign currencies		624,100	32,166,573
Placement of repurchase and reverse repurchase transactions		(27,475,330)	(11,131,161)
Redemptions (placement) of time deposits		5,759,017	(2,754,010)
Placement of funds under external management		(11,816)	(12,221,275)
Formation of deposit liabilities		2,410,608	1,573,189
Receipts on behalf of the National Treasury		49,097	28,308
Receipt of receivables		2,285,642	2,150,748
Payments resulting from operations with derivatives		(23,422)	(27,520)
Purchase of gold		-	(3,806,577)
Other (payments) receipts		(2,644)	18,782
Net Cash Flow		6,770,395	(1,457,306)
Change in Cash and Cash Equivalents		6,770,395	(1,457,306)
Cash and cash equivalents at the beginning of the year		13,636,611	12,808,011
Cash and cash equivalents at the end of the year	5	23,284,414	13,636,611
Effect of exchange rate changes on cash and cash equivalents		2,877,408	2,285,906

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 National Financial System (SFN) and its mission is to ensure the stability of the purchasing power of the Brazilian currency and a solid and efficient financial system. The BCB's head office is in Brasília, Federal District, in Setor Bancário Sul, quadra 3, bloco B and it has offices in nine other states of Brazil.

These financial statements were analyzed by the Board of Directors, which approved, on February 12, 2014, their submission to the National Monetary Council (CMN). As established in Law 4,595 of 1964, the CMN authorized the publication of these statements on February 20, 2014 and they are available on the BCB's website (www.bcb.gov.br).

2 - PRESENTATION

The BCB's financial statements as at December 31, 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

- IFRS 9 – Financial Instruments: the mandatory application of IFRS 9, which was forecast for the years beginning on January 1st, 2015, was postponed by IASB to an undetermined date, so as to maintain the same effective mandatory date 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 32 – Financial Instruments: Presentation: 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.

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, after the recording or reversal of reserves, or covered by it in the event of a net loss (Notes 30.1 and 41.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 income statement include interest income and expenses of the BCB's financial assets and liabilities not classified as At Fair Value through Profit or Loss.

3.3. Assets and liabilities in foreign currencies

The functional and reporting currency of these financial statements is the 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, 2013	Dec 31, 2012
U.S. Dollar	2.3423	2.0432
Euro	3.2259	2.6949
Canadian Dollar	2.2021	2.0542
Pound Sterling	3.8720	3.3025
Australian Dollar	2.0937	2.1192
SDR	3.6072	3.1402
Yen	0.0223	0.0237
Swedish Krona	0.3638	0.3137
Danish Krone	0.4325	0.3613
Gold (troy ounces)	2,810.5258	3,386.6040

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 U.S. 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 U.S. dollar (USD).

3.4. Financial assets and liabilities

3.4.1 Recognition

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

The BCB conducts operations in which it 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:

- 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
- 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 liabilities

Financial assets and liabilities are offset and recorded at net value when there is the legal right and the intention to settle the resulting payments and receipts on a net basis. Transactions with these characteristics are carried out in the Local Currency Payment System (SML) and the Reciprocal Credit Payment Agreement (CCR), presented in 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 recognition, assets are valued in accordance with the classification made. Financial liabilities are not subject to classification and are measured at amortized cost, except for derivative financial liabilities, which are measured at fair value through profit or loss.

a) At Fair Value through Profit or Loss

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

b) Held-to-maturity

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

c) Loans and Receivables

This category includes non-derivative financial instruments with fixed or 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, is recognized in the income statement on an accrual basis.

d) Available-for-sale

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

3.4.5 Measurement

The fair value is the market value 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 and making maximum use of market inputs, which include the value of the most recent tradings, the discounted cash flow and the fair value of similar financial instruments. The models used are assessed by a multi-departmental committee, which is also responsible for suggesting new methodologies or improvements.

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

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

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

3.4.6 Impairment of financial assets

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

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

- financial difficulties of the issuer or 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 allowance account and the amount of the loss is recognized in the income statement.

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

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

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

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

3.4.7 Derivatives

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

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

3.5. Gold

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

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

3.6. Property and equipment

This group of accounts consists of land, buildings and equipments acquired by the BCB for its own use, as well as the collection of works of art and precious metals, except monetary gold (Note 3.5), which is 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 BCB and these can be reliably estimated. Other expenditures for maintenance and repair are recognized in the income statement.

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

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

3.7. Provisions

3.7.1 Litigation

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

3.7.2 Post-employment benefits

The BCB sponsors post-employment 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 balance sheet, to the extent of the expected benefits.

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

3.8. Tax immunity

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

3.9. Statement of cash flows

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

For purposes of the Statement of Cash Flows, cash and cash equivalents include cash, demand deposits and very short-term time deposits, in foreign currencies (Note 5).

4 - CHANGES IN ACCOUNTING POLICIES WITH RETROACTIVE EFFECTS

As from January 1st, 2013, the BCB made some changes in accounting policies with retroactive effects with respect to employee benefits (IAS 19) and gold operations.

4.1. Employee benefits (IAS 19)

This refers to the implementation of changes to IAS 19 – Employee Benefits, approved by the IASB in June 2011, namely: 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.

Due to the terms of the change to IAS 19, the application of the new provisions should be carried out retrospectively, except with regard to entities that do not need to adjust the carrying amount of assets beyond the date of initial application – defined as the beginning of the period immediately preceding that of the first financial statements presented in accordance with the revised standard.

Therefore, the changes implemented as from January 1st, 2013 caused retroactive effects on the financial statements for the period beginning January 1st, 2012. The effects of this change focus especially on the reversal of the amounts recorded in prior periods directly in equity as actuarial gains (losses), which are now included in interest income and expenses in the income statement. The impact for the year ended December 31, 2012 was R\$85,697.

4.2. Investments in monetary gold

This refers to the change in the policy adopted for the recording of investments in monetary gold, which was treated as a financial instrument classified as Available-for-sale, therefore, due to similarity, IAS 39 was applied. Considering the specific characteristics of these assets and the accounting treatment

adopted by other central banks, the BCB opted to measure them at fair value, no longer according to IAS 39, but following the Conceptual Framework for Financial Reporting issued by IASB (Note 3.5).

This change is due to the fact that the conceptual framework of the IASB establishes that gains and losses are attributable to results, unless permitted or required by a specific standard. Since this matter does not apply to monetary gold (the application of IAS 39 was due to similarity), the BCB concluded that the allocation of the changes in fair value of these assets to the income statement of each year would be the most appropriate for the recognition and disclosure of these operations.

Since, according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, this type of change in accounting policies should be made retrospectively, it affected, retroactively, the financial statements of December 31, 2004, when IAS 39 was adopted, due to similarity, for gold operations.

Accordingly, the effects of this change are specially focused on the reversal of amounts recognized in prior periods directly in equity as fair value adjustment of gold, which are now included in the income statements of the respective periods, according to the following distribution:

2004	457,569
2005	167,502
2006	268,022
2007	411,163
2008	118,323
2009	453,073
2010	603,276
2011	132,587
2012	93,604
Total	2,705,119

4.3. Cumulative effects of the retroactive application

Considering the cumulative effects of the application of the changes in accounting policies in relation to the employee benefits (IAS 19) and gold operations, the net income for the year and other comprehensive income of the annual financial statements, as from 2004, are restated as follows:

	Net Income for the Year		Other Comprehensive Income	
	Originally published	Restated	Originally published	Restated
2004	2,709,689	3,167,258	2,620,852	2,163,283
2005	(10,494,963)	(10,327,461)	(3,453,477)	(3,620,979)
2006	(13,392,761)	(13,124,739)	3,942,776	3,674,754
2007	(47,514,139)	(47,102,976)	(6,764,883)	(7,176,046)
2008	13,345,393	13,463,716	2,724,885	2,606,562
2009	5,609,044	6,062,117	(5,731,984)	(6,185,057)
2010	15,729,970	16,333,246	(4,133,728)	(4,737,004)
2011	23,471,410	23,603,997	2,878,165	2,745,578
2012	24,614,729	24,794,030	2,699,928	2,520,627

Due to the rules of transfer of results between the BCB and the National Treasury, detailed in Notes 30.1 and 41.a, the effects of these adjustments are reflected not only in income and other comprehensive income accounts (Notes 24 and 30), but also in the accounts representing the Gains (Losses) Recognized Directly in Equity (Note 23.3) and of Payables to the Federal Government (Note 11).

5 - CASH AND CASH EQUIVALENTS

	Dec 31, 2013	Dec 31, 2012
In Foreign Currencies	23,284,414	13,636,611
Cash	633,161	125,747
Demand deposits	9,773,444	8,973,168
Very short-term time deposits	12,877,809	4,537,696
In Local Currency	471,600	20,483
Total	23,756,014	13,657,094

The amounts in foreign currencies mainly correspond to the portion of international reserves held by the BCB as demand deposits and very short-term time deposits, in accordance with its risk management policy (Notes 35 to 39). International reserves are the monetary assets available for coverage of imbalances in payments and, in some situations, for other financial requirements of the monetary authorities of a country.

The variation in the period is mainly due to the higher amount of investments in very short-term time deposits, as a result of the increase in the number of transactions regarding the Repurchase Pool Facility in the Federal Reserve Bank, as well as the effects of the foreign exchange variations arising from the depreciation of the Real against the U.S. dollar (Note 3.3).

6 - DEPOSITS

6.1. 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 35 to 39), in the amount of R\$32,094,222 (R\$29,433,213 in 2012).

The variation in the balance of these deposits is basically due to the effects of the depreciation of the Real against the U.S. dollar (Note 3.3) verified in the period.

6.2. In local currency

These are deposits made by legal determination, relating to ongoing litigations, for which there is recognition of a provision (Note 21.1) or a court-ordered debt payable (Note 19.2). They are remunerated by the effective interest rate of daily financing calculated at the Special System for Settlement and Custody (Selic rate) and, due to this entailment, are unavailable until the court decision on the matter under dispute. At December 31, 2013, the balance amounted to R\$1,513,042 (R\$1,428,823 in 2012).

7 - FUNDS UNDER EXTERNAL MANAGEMENT

	Dec 31, 2013	Dec 31, 2012
Funds managed by the BIS	564,928	522,720
External Management Program	14,731,842	12,570,015
Securities	12,611,935	10,827,842
Up to 1 year	4,027,458	3,115,504
1 - 5 years	6,274,877	6,251,463
> 5 years	2,309,600	1,460,875
Index funds	1,198,195	1,152,615
Equity instruments	1,198,195	879,282
Fixed income	-	273,333
Cash/receivables	921,712	589,558
Total	15,296,770	13,092,735

7.1. Fund managed by the BIS

The fund managed by the Bank for International Settlements (BIS) refers to the investment placed in the Bank for International Settlements Investment Pool Inflation-linked Government Bond Fund (BISIP ILF1), a fund exclusively 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.

7.2. Program for External Management of International Reserves

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

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

The variation in the period is mainly due to the effects of the foreign exchange variations arising from the depreciation of the Real against the U.S. dollar (Note 3.3).

8 - 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.

8.1. In foreign currencies

	Dec 31, 2013	Dec 31, 2012
Financial Assets Purchased Under Resale Agreements	40,632,086	11,826,109
Foreign Market	374,976	637,546
Currencies	374,976	637,546
Domestic Market	40,257,110	11,188,563
Currencies	40,257,110	11,188,563
Financial Assets Sold Under Repurchase Agreements	375,385	636,357
Foreign Market	375,385	636,357
Currencies	375,385	636,357

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 SFN.

In the period, the most significant variation was due to transactions carried out in the domestic market, associated with the BCB's activities in the interbank foreign exchange market, as well as the effects of the depreciation of the Real against the U.S. dollar (Note 3.3).

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

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

8.2. In local currency

	Dec 31, 2013	Dec 31, 2012
Financial Assets Purchased Under Resale Agreements	5,403	61,849,997
Securities	5,403	61,849,997
Assets granted as collateral	5,404	62,691,711
Financial Assets Sold Under Repurchase Agreements	568,885,481	597,214,923
Securities	528,733,563	585,844,844
Foreign Currencies	40,151,918	11,370,079
Assets granted as collateral	536,543,925	559,244,695
Freely tradable	183,720,184	285,351,503
Not freely tradable	352,823,741	273,893,192

The collateral of repos and reverse repos involving securities is always constituted in federal government securities held in custody in the Selic, which are valued at prices lower than those observed 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 decrease in the balance of repo operations is mainly due to the decrease in the liquidity level of the economy, as a result of the transfer of market funds to the National Treasury – arising from the concession auctions of the oil area and the higher collection of taxes – in addition to the increase in the balance of deposits from financial institutions in the period (Note 18). This effect was minimized by the BCB’s activity in the interbank foreign exchange market through auctions to purchase foreign currency.

With regard to reverse repos, the variation in relation to the balance at the end of 2012 is due to the reversal of the transactions carried out in the last week of that year to cover the need to offer liquidity to the market.

9 - DERIVATIVES

9.1. In foreign currencies

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

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

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

- currency forwards – derivative instruments characterized by swapping currencies (purchase and sale) with settlement on a future date at a prefixed rate. These operations are carried out on the over-the-counter market, directly with financial institutions, and follow the risk management standards described in Notes 35 to 39;

- 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 reference securities, in the indexes or in the prices of commodities on a future date, in accordance with the number and size of the outstanding contracts at a determined price established in the market. These operations are carried out in a stock exchange, with standardized contracts and collaterals in cash, and the changes in the prices of the contracts are adjusted daily.

At Dec 31, 2013

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

At Dec 31, 2012

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 - 6 months			67,998	9,097
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				
1 - 5 years			-	-
Euro	588,890	-	-	-
U.S. Dollar	-	583,937	-	-
Commodities futures				
1 - 5 years			-	-
U.S. Dollar	17,120	337,692	-	-
Securities futures				
1 - 5 years			-	-
U.S. Dollar	18,980,827	-	-	-
Australian Dollar	-	3,302,132	-	-
> 5 years			-	-
U.S. Dollar	684,688	1,441,681	-	-
Australian Dollar	1,162,948	-	-	-
Euro	-	9,610,493	-	-
Total			67,998	9,097

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\$193,458 in 2013 (R\$236,036 in 2012).

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.

9.2. In local currency

	Dec 31, 2013	Dec 31, 2012
Asset Position	27,855	15,197
Swap	24,655	15,197
Other	3,200	-
Liability Position	1,079,227	-
Swap	1,077,085	-
Other	2,142	-

9.2.1 Swap

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

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

The BCB makes guarantee margin deposits in federal government securities, at the prices adopted in repos and reverse repos (Note 8.2). On a daily basis, margin calls or returns are carried out, depending on the swap variations. BM&FBovespa assumes all the credit risk arising from the swap operations.

During the first half of 2013, all the foreign exchange swap agreements of the Exchange Swap with Periodic Adjustments (SCC) type – whose object of negotiation is the difference between the effective interest rate of Interbank Deposits (ID) and the variation of the exchange rate in relation to the U.S. dollar – which were outstanding at the end of 2012, matured. As from June 2013, the BCB started to enter into foreign exchange swap agreements of the Exchange Swap with Periodic Adjustments based on One-Day Repurchase Agreements (SCS) type, in which the object of negotiation is the difference between the Selic rate and the variation of the exchange rate in relation to the U.S. dollar.

In practice, this new instrument is very similar to the previous one, except for the fact that it uses the Selic rate instead of the ID rate as a reference for domestic interest rate. In the long position of these agreements, the BCB is on the asset side in a domestic interest rate (Selic or ID rate), and on the liability side in foreign exchange variation plus exchange coupon, which is a representative interest rate in U.S. dollars. Inversely, in the short positions, the BCB is on the asset side in foreign exchange variation plus exchange coupon and on the liability side in a domestic interest rate (Selic or ID rate). These contracts have a notional value equivalent to US\$50 thousand and daily financial adjustment. The amount of collateral is stipulated by BM&FBovespa.

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

Dec 31, 2013

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

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	-

9.2.2 Foreign exchange equalization

The foreign exchange equalization operation between the National Treasury and the BCB was established under Law 11,803, of November 5, 2008, for the purpose of providing greater transparency

to the results of the operations of the monetary authority and reducing the volatility of its results, arising from the mismatch between the foreign currency assets and liabilities (Note 37.3).

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 calculated daily and the balance payable or receivable is calculated on the last working day of the half year, and will be settled financially according to the same rules established for the transfer or coverage of the results (Notes 30.1 and 41.a).

In 2013, the result of the foreign exchange equalization operation was R\$31,685,433 negative (R\$22,309,406 negative in 2012), as presented in Note 40.1.

10 - SECURITIES

10.1. In foreign currencies

	Dec 31, 2013	Dec 31, 2012
Uncommitted securities	763,304,951	692,023,006
1 month	4,847,982	428,080
1 - 6 months	50,774,231	29,296,823
6 - 12 months	96,723,011	14,387,175
1 - 5 years	558,975,096	597,579,722
> 5 years	51,984,631	50,331,206
Total	763,304,951	692,023,006

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, 2013	Dec 31, 2012
Amortized cost	759,747,502	679,952,149
Fair value adjustment	3,557,449	12,070,857
Carrying amount	763,304,951	692,023,006

The difference in the portfolio of securities in foreign currencies was due mainly to the effects of the depreciation of the Real against the U.S. dollar (Note 3.3), the currency in which a significant part of this portfolio is denominated (Note 37.2).

10.2. In local currency

At Dec 31, 2013

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

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

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 BCB's portfolio are as follows:

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

- National Treasury Notes – Series F (NTN-F): fixed interest rate set by a discount on the face value, with semiannual payment of a coupon interest rate of 10% p.a.;
- National Treasury Notes – Series P (NTN-P): registered, non-negotiable securities, adjusted by the Referential Rate (TR), plus interest of 6% p.a. upon redemption.

The following table presents the amortized cost and the fair value of these securities, when applicable:

	Dec 31, 2013			Dec 31, 2012		
	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
National Treasury Bills (LTN)	-	-	-	234,491,730	10,416,863	244,908,593
Held-to-maturity	953,068,070	-	953,068,070	665,314,341	-	665,314,341
National Treasury Bills (LTN)	324,608,990	-	324,608,990	26,494,951	-	26,494,951
Financial Treasury Bills (LFT)	175,005,072	-	175,005,072	187,705,075	-	187,705,075
National Treasury Notes - Series B (NTN-B)	314,738,327	-	314,738,327	313,921,417	-	313,921,417
National Treasury Notes - Series F (NTN-F)	138,715,441	-	138,715,441	137,192,672	-	137,192,672
National Treasury Notes - Series P (NTN-P)	240	-	240	226	-	226
Total	953,068,070	-	953,068,070	899,806,071	10,416,863	910,222,934

During the second half of 2013, the remaining LTN portfolio classified as Available-for-sale was reclassified as Held-to-maturity. This occurred due to the management profile of this portfolio, whose negotiations have been carried out under sales with repurchase agreements, which do not have the characteristics of an effective sale and, therefore, presents characteristics that favor the classification as Held-to-maturity.

The amount of Gains (Losses) Recognized Directly in Equity due to the fair value adjustment of securities reclassified (Note 23.3) is amortized in the income statement during the remaining life of the securities reclassified.

The variation in the BCB's portfolio of federal government securities was due, basically, to the accrual of interest in the period (Note 24), offset partially by the net redemptions of securities and the adjustment at the negative fair value of those securities that were classified as Available-for-sale (Note 23.3).

11 - TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Receivables from the Federal Government	Dec 31, 2013	Dec 31, 2012
Foreign exchange equalization result	10,970,069	9,900,595
Other	1,048	41
Total	10,971,117	9,900,636
Payables to the Federal Government	Dec 31, 2013	Dec 31, 2012
National Treasury Operating Account	655,965,327	620,401,291
Foreign exchange equalization result	15,918,931	-
Result to be transferred to the National Treasury	14,270,953	15,090,442
Other	926,238	836,691
Total	687,081,449	636,328,424

Due to legal provisions, the BCB has a financial relationship with the National Treasury. The main transactions are described in greater detail in Note 40.1.

The receivables from the Federal Government basically correspond to the result receivable obtained in the exchange equalization operation referring to the second half of 2012, whose variation

occurred through the incorporation of interest in the period (Note 40.1). With regard to payables to the Federal Government, the variations are associated to the behavior of the balance of the National Treasury Operating Account and the result of the second half of 2013, including the exchange equalization, to be transferred to the National Treasury (Note 40.1).

In relation to payables to the Federal Government, the balance at December 31, 2012 – comparative information – was subject to a retroactive adjustment, due to the application of changes in accounting policies in relation to employee benefits (IAS 19) and gold operations, as detailed in Note 4. The repercussion of these effects in the payables to the Federal Government is due to the rules of transfer of results between the BCB and the National Treasury (Notes 30.1 and 41.a).

Payables to the Federal Government	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	Dec 31, 2012 (restated)
National Treasury Operating Account	620,401,291	-	-	620,401,291
Result to be transferred to the National Treasury	12,299,626	85,697	2,705,119	15,090,442
Other	836,691	-	-	836,691
Total	633,537,608	85,697	2,705,119	636,328,424

12 - RECEIVABLES

12.1. In foreign currencies

	Dec 31, 2013	Dec 31, 2012
New Arrangements to Borrow	4,102,379	3,239,477
Other receivables	450,174	128,337
Total	4,552,553	3,367,814

The balance of receivables in foreign currencies as of December 31, 2013 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 14), 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 basically due to the release of funds from NAB, in the amount of SDR199.4 million and to the depreciation of the Real against the SDR in the period (Note 3.3).

12.2. In local currency

At Dec 31, 2013

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

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 Bamerindus - Under Extrajudicial Liquidation	2,332,547	(896,361)	1,436,186
Banco Banorte - Under Extrajudicial Liquidation	490,824	(188,616)	302,208
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

12.2.1 At Fair Value through Profit or Loss – Designation

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

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% on the charges.

Based on this legal instrument, the banks under extrajudicial liquidation Nacional and Econômico, in June 2013, entered into an agreement for payment in installments or in cash of their debts with the BCB. Nacional divided the payment of its debt in 180 months, whereas Econômico amortized R\$12,732,177 of the debit balance of its operations, dividing the rest in 180 monthly installments.

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

The term entered into for payment in installments does not imply novation of the debt, and it should be stressed that default by the debtor may result in the rescission of the term, with the debt returning to the original situation. This agreement 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.

These credits are classified as At Fair Value through Profit or Loss by designation of the Management. The fair value of the receivables corresponds to the present value of the contracted cash flows, calculated through the use of equivalent market rates (Note 32).

12.2.2 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 increase in the deficiencies in applications in rural credit in the period, with a consequent increase in this type of loan.

b) Centrus

This comprises the credits receivable from the Fundação Banco Central de Previdência Privada (Centrus) arising from:

- changes introduced in 2009 in the regulation of the Foundation's benefit plan, which consisted of an increase in the basic quota of death benefits, generating credit for the sponsor in proportion to the benefit granted;
- the distribution of the surplus of the Foundation's benefit plan, with reversal of amounts to the sponsor, the sponsored participants and the self-sponsored participants, as approved by Ordinance 192, of April 14, 2011, and Ordinance 504, of September 23, 2013, both of the National Superintendency of Supplementary Social Security (Previc).

Pursuant to the agreement entered into between the BCB and Centrus, the funds arising from changes in the regulations of the benefit plan and the distribution of surplus approved by Ordinance 192, of 2011, 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 funds referring to the distribution of surplus approved by Ordinance 504, of 2013, have been received in installments and are restated considering the actuarial target index (IPCA plus interest of 4% p.a.).

The variation observed in relation to December 31, 2012 basically arises from the recognition of the distribution of the surplus of the plan approved by Ordinance 504, of 2013, partly offset by the receipt of the portion of credits referring to the reversal of tax contingencies recognized in 2012 (Note 40.2).

13 - GOLD

	Dec 31, 2013	Dec 31, 2012
Cost	5,101,333	4,449,918
Fair value adjustment	970,695	2,866,704
Carrying amount	6,072,028	7,316,622

The BCB, like other central banks, maintains part of Brazil's international reserves in gold, which is readily and unconditionally available for the monetary authorities. In spite of the change in the policy for recording gold (Note 4), there was no change in the value of assets, since they were already measured at fair value.

The variation is due to the negative fair value adjustment of gold and the effects of the exchange variation in the period (Notes 3.3 and 28).

14 - 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, 2013	Dec 31, 2012
International Monetary Fund	15,332,191	13,347,420
Bank for International Settlements	89,739	78,122
Total	15,421,930	13,425,542

The change in the balance in the period is due to the positive fair value adjustment (Note 23.3), considering the depreciation of the Real against the SDR (Nota 3.3).

15 - PROPERTY AND EQUIPMENT

2013

	Precious metals under several forms	Land	Buildings	Equipment	Works of art and museum pieces	Total
At Dec 31, 2012	12,459	256,324	380,618	98,691	30,172	778,264
Cost	12,501	256,324	473,214	239,391	30,172	1,011,602
Accumulated depreciation	-	-	(92,596)	(140,700)	-	(233,296)
Provision for losses	(42)	-	-	-	-	(42)
Changes in 2013	-	-	17,312	(8,304)	-	9,008
Acquisitions/Construction	-	-	27,420	17,706	-	45,126
Sales/Write-offs	-	-	-	(27,052)	-	(27,052)
Reversal of provision for losses	-	-	-	-	-	-
Depreciation	-	-	(10,108)	(25,644)	-	(35,752)
Depreciation write-off	-	-	-	26,686	-	26,686
At Dec 31, 2013	12,459	256,324	397,930	90,387	30,172	787,272

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

16 - OTHER ASSETS

	Dec 31, 2013	Dec 31, 2012
In Local Currency	1,319,364	754,283
Actuarial Surplus - Centrus (Note 21.2)	1,251,008	682,633
Other	68,356	71,650
Total	1,319,364	754,283

17 - 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, 2013, the balance of contracted operations pending settlement, in foreign and local currencies, was R\$7,538,885 and R\$12,084 (R\$76,880 and R\$32,811 in 2012), respectively.

The variation in the balance of transactions in foreign currencies is due to a higher concentration of operations pending settlement at December 31, 2013, in comparison with the same period of 2012.

18 - DEPOSITS RECEIVED FROM FINANCIAL INSTITUTIONS

	Dec 31, 2013	Dec 31, 2012
In Foreign Currencies	1,665	1,453
In Local Currency	369,095,050	320,097,305
Demand Deposits	45,457,358	45,936,716
Time Deposits	73,982,149	64,600,897
Savings Deposits	116,213,827	95,569,420
Additional Requirements	119,993,673	111,649,700
Other	13,448,043	2,340,572
Total	369,096,715	320,098,758

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% (18% rural savings account), remunerated based on the TR + 6.17% p.a. or 70% of Selic Target + TR;
- d) 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 22), comprise the economic concept of monetary base, which variation evidence the primary currency issue. In 2013, the reserve requirements on demand deposits presented a reduction of R\$479,358 (reduction of R\$5,528,925 in 2012).

19 - ACCOUNTS PAYABLE

The balance of accounts payable comprises:

	Dec 31, 2013	Dec 31, 2012
In Foreign Currencies	10,416,377	9,067,027
SDR allocations	10,416,377	9,067,027
In Local Currency	876,655	839,300
Court-ordered debts payable	647,656	622,880
Other	228,999	216,420
Total	11,293,032	9,906,327

19.1. 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 5) 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 (Note 3.3).

19.2. 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 12,919, of December 24, 2013 (Budget Guidelines Law – LDO 2014), 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, 2013 refers to the court-ordered debts to be paid in 2014 and the following years.

20 - DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2013	Dec 31, 2012
In Foreign Currencies	12,164,179	9,547,147
Inter-American Development Bank	179,848	57,227
International Bank for Reconstruction and Development	21,477	19,214
International Monetary Fund	11,962,035	9,470,292
Other	819	414
In Local Currency	7,640	4,578
Financial Fund for the Development of River Plate Basin	7,640	4,578
Total	12,171,819	9,551,725

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).

21 - PROVISIONS

	Dec 31, 2013	Dec 31, 2012
Litigation	3,963,437	3,775,604
Actuarial liability	23,502,577	25,119,733
Amounts returned	2	-
Total	27,466,016	28,895,337

21.1. Provisions for litigation

At December 31, 2013, the BCB was a party to 9,421 lawsuits (3,200 as the plaintiff, 6,212 as the defendant and 9 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, 2012, the total was 10,101, where 3,255 were as the plaintiff, 6,839 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 2013 provisions were recorded for 1,003 lawsuits (1,121 in 2012). The following table presents the changes in the provisions during the year:

	2013	2012
Opening balance	3,775,604	3,201,941
Changes	187,833	573,663
Formation	285,424	630,614
Reversal	(72,219)	(58,946)
Transfer to court-ordered debts	(24,149)	1,995
Write-off due to payment of requisition of small sum	(1,223)	-
Closing balance	3,963,437	3,775,604

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

The lawsuits 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, 2013, there were 875 lawsuits (861 in 2012) in this situation, totaling R\$66,016,103 (R\$73,159,035 in 2012).

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, 2013	Dec 31, 2012
2013	-	1,893,400
2014	558,975	628,913
2015	2,618,899	623,096
2016	216,552	213,870
2017	385,004	369,903
2018	148,638	15,485
2019	1,662	1,131
2020	26,259	22,938
2021	6,203	5,741
2022	1,086	1,074
2023	90	53
2025	69	-
Total	3,963,437	3,775,604

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

	Dec 31, 2013	Dec 31, 2012
Special systems	1,447,944	1,400,190
Labor lawsuits	1,385,268	1,325,935
Economic plans	536,232	543,405
Contractual relationships	375,519	349,743
Other	218,474	156,331
Total	3,963,437	3,775,604

The BCB, in conformity with legal procedures, made deposits for some lawsuits in progress (Note 6.2). 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.

21.2. 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 the Personnel Assistance Fund (Faspe) which is responsible for the management of the funds and for the payment of the benefits.

d) Actuarial calculations

Calculation of the provision	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations	2,384,265	20,129,908	3,448,509	3,221,072	21,922,281	3,271,456
(-) Fair value of plan assets	(5,539,877)	-	(75,840)	(5,430,476)	-	(74,003)
Net actuarial liabilities (assets)	(3,155,612)	20,129,908	3,372,669	(2,209,404)	21,922,281	3,197,453
Unrecognized assets	1,904,604	-	-	1,526,772	-	-
Actuarial liabilities (assets) recognized in the balance sheet	(1,251,008)	20,129,908	3,372,669	(682,632)	21,922,281	3,197,453

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 12.2.2.b). 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 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.

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

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

Present value of the liabilities - Reconciliation	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of actuarial obligations at the beginning of the year	3,221,072	21,922,281	3,271,456	2,536,665	17,098,943	2,350,784
(+) Current service cost	-	167,060	168,346	-	136,590	185,034
(+) Interest cost on liabilities	257,094	1,837,347	274,272	271,946	1,797,762	246,696
(-) Benefits paid	(308,680)	(1,098,417)	(188,923)	(301,786)	(984,844)	(175,414)
(+) Participants contributions	-	-	78,048	-	-	67,261
(+/-) Actuarial losses (gains)	(785,221)	(2,698,363)	(154,690)	714,247	3,873,830	597,095
(=) Present value of actuarial obligations at the end of the year	2,384,265	20,129,908	3,448,509	3,221,072	21,922,281	3,271,456

Plan assets - Reconciliation	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Fair value of the plan assets at the beginning of the year	5,430,476	-	74,003	5,493,976	-	73,795
(-) Benefits paid	(308,680)	(1,098,417)	(188,923)	(301,786)	(984,844)	(175,414)
(+) Participants contributions	-	-	78,048	-	-	67,261
(+) Sponsor contributions	-	-	112,808	-	-	107,966
(+) Interest cost on investments	425,320	-	6,904	577,160	-	7,906
(+) Transfer from the National Treasury	-	1,098,417	-	-	984,844	-
(+/-) Return on assets not included in the net interest	(7,239)	-	(7,000)	(338,874)	-	(7,511)
Fair value of the plan assets at the end of the year	5,539,877	-	75,840	5,430,476	-	74,003

Plan assets - Percentage distribution	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Quoted in an active market	95.8%	-	83.6%	93.0%	-	82.9%
Federal Government Securities	62.6%	-	83.6%	61.0%	-	82.9%
Investments in Equity Instruments	29.6%	-	-	30.0%	-	-
Investment in Fixed Income Funds	3.6%	-	-	2.0%	-	-
Not quoted in an active market	4.2%	-	16.4%	7.0%	-	17.1%
Real Estate Investments	2.0%	-	-	2.1%	-	-
Other	2.2%	-	16.4%	4.9%	-	17.1%
Total	100.0%	-	100.0%	100.0%	-	100.0%

Income and expenses recognized in the Income Statement for the year	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Other expenses						
Current service cost	-	167,060	168,346	-	136,590	185,034
Interest expenses (income)						
Interest costs	(168,226)	1,837,347	267,368	(305,214)	1,797,762	238,790

Remeasurements of defined benefit plans recognized in Equity	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Opening balance	(4,138,132)	(10,154,776)	(2,298,213)	(3,366,268)	(6,280,946)	(1,693,607)
Actuarial gains (losses)	407,387	2,698,363	154,690	(432,990)	(3,873,830)	(597,095)
Adjustments arising from the return on assets not included in the net interest	(7,239)	-	(7,000)	(338,874)	-	(7,511)
Closing balance	(3,737,984)	(7,456,413)	(2,150,523)	(4,138,132)	(10,154,776)	(2,298,213)

Actuarial assumptions	Dec 31, 2013			Dec 31, 2012		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Financial						
Discount rate	9.73%	10.15%	10.31%	7.61%	8.28%	8.30%
Inflation rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Rate of contribution of retired employees	-	-	1 a 3%	-	-	1 a 3%
Rate of contribution of the sponsor	-	-	até 3%	-	-	até 3%
Expected growth rate for salaries	-	1.80%	-	-	1.46%	-
Trend rate for medical costs	-	-	10.90%	-	-	11.60%
Non-financial						
Number of active employees	-	4,085	4,274	-	4,461	4,369
Number of retired employees	728	4,820	4,198	768	4,533	5,115
Number of pensioners	692	547	941	679	505	1,172
Average past service (in years)	-	15.9	-	-	16.2	-
Average expected future service (in years)	-	16.9	-	-	16.5	-
Average age of active employees	-	46	47	-	46	46
Average age of retired employees	81	64	66	80	64	66
Average age of pensioners	84	52	65	76	51	66
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
Disabled mortality table	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC
Entry into disability table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Sensitivity analysis for significant actuarial assumptions

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

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

	+2%	-2%
Centrus	(246,866)	427,354
RJU	(3,664,356)	5,343,072
Faspe	(1,007,498)	2,172,047

To determine the salary growth rate, the BCB considered the variation of the salary mass of BCB's active employees between 2012 and 2013. Accordingly, the salary growth rate is not applicable to the Centrus plan, since entry of new participants is no longer possible and there are no active participants linked to the BCB. Regarding RJU, an increase of 1% in the rate would increase the amount of the actuarial liability by R\$586,039, whereas a decrease in the same percentage would reduce the liability by R\$187,376.

The rate of growth of the Faspe'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	14,953	(92,462)
Liability	691,201	(252,776)

f) Other information

- The BCB estimates that the payment of its contributions to Faspe in 2014 will be R\$80,140;
- Estimate of payment of benefits for the next 10 years:

	Centrus	RJU	Faspe	Consolidated
2014	627,701	1,282,214	175,529	2,085,444
2015	627,294	1,293,157	176,584	2,097,035
2016	625,653	1,299,587	178,247	2,103,487
2017	623,625	1,302,559	179,525	2,105,709
2018	1,196,645	2,610,891	363,229	4,170,765
2019 - 2023	1,377,279	3,963,476	549,796	5,890,551

- Past information:

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

- Due to the changes in accounting policies relating to employee benefits (IAS 19), detailed in Note 4, the amounts related to the present value of the obligations/liabilities, plan assets, income and expenses recognized in the income statement and remeasurements of defined benefit plans recognized in Equity at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Centrus		
	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Dec 31, 2012 (restated)
Present value of the liabilities			
Interest cost on liabilities	242,735	29,211	271,946
Actuarial losses (gains)	743,458	(29,211)	714,247
Plan assets			
Interest cost on investments	-	577,160	577,160
Expected return on the plan assets	650,108	(650,108)	-
Return on assets not included in the net interest	-	(338,874)	(338,874)
Actuarial gains (losses)	(411,822)	411,822	-
Income and expenses recognized in the Income Statement for the year			
Expected return on the plan assets	650,108	(650,108)	-
Interest cost	242,735	(547,949)	(305,214)
Remeasurements of defined benefit plans recognized in Equity			
Actuarial gains (losses)	(874,024)	441,034	(432,990)
Adjustments arising from the return on assets not included in the net interest	-	(338,874)	(338,874)

	RJU		
	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Dec 31, 2012 (restated)
Present value of the liabilities			
Interest cost on liabilities	2,002,299	(204,537)	1,797,762
Actuarial losses (gains)	3,669,293	204,537	3,873,830
Plan assets			
Interest cost on investments	-	-	-
Expected return on the plan assets	-	-	-
Return on assets not included in the net interest	-	-	-
Actuarial gains (losses)	-	-	-
Income and expenses recognized in the Income Statement for the year			
Expected return on the plan assets	-	-	-
Interest cost	2,002,299	(204,537)	1,797,762
Remeasurements of defined benefit plans recognized in Equity			
Actuarial gains (losses)	(3,669,293)	(204,537)	(3,873,830)
Adjustments arising from the return on assets not included in the net interest	-	-	-

	Faspe		
	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Dec 31, 2012 (restated)
Present value of the liabilities			
Interest cost on liabilities	228,730	17,966	246,696
Actuarial losses (gains)	615,061	(17,966)	597,095
Plan assets			
Interest cost on investments	-	7,906	7,906
Expected return on the plan assets	6,621	(6,621)	-
Return on assets not included in the net interest	-	(7,511)	(7,511)
Actuarial gains (losses)	(6,226)	6,226	-
Income and expenses recognized in the Income Statement for the year			
Expected return on the plan assets	6,621	(6,621)	-
Interest cost	228,730	10,060	238,790
Remeasurements of defined benefit plans recognized in Equity			
Actuarial gains (losses)	(621,286)	24,191	(597,095)
Adjustments arising from the return on assets not included in the net interest	-	(7,511)	(7,511)

22 - 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, 2013		Dec 31, 2012	
	Quantity	Amount	Quantity	Amount
Notes	5,996,588,965	198,693,066	5,569,014,004	182,610,276
R\$1.00	149,374,268	149,374	150,013,414	150,013
R\$2.00	1,038,397,259	2,076,795	913,425,568	1,826,851
R\$5.00	547,911,825	2,739,559	470,805,968	2,354,030
R\$10.00	730,799,410	7,307,994	722,346,875	7,223,469
R\$20.00	816,101,461	16,322,029	844,549,581	16,890,992
R\$50.00	2,026,063,189	101,303,160	1,852,446,791	92,622,340
R\$100.00	687,941,553	68,794,155	615,425,807	61,542,581
Coins	22,107,896,252	5,358,272	20,413,737,206	4,823,411
R\$0.01	3,190,983,899	31,910	3,190,933,773	31,909
R\$0.05	5,413,482,632	270,674	4,998,983,846	249,949
R\$0.10	5,939,906,838	593,991	5,430,470,374	543,047
R\$0.25	2,564,655,369	641,164	2,302,584,905	575,646
R\$0.50	2,356,668,670	1,178,334	2,135,807,473	1,067,904
R\$1.00	2,642,198,844	2,642,199	2,354,956,835	2,354,956
Commemorative	-	1,082	-	1,049
Total		204,052,420		187,434,736

At December 31, 2013, the Currency in Circulation presented an increase of 8.9% when compared to 2012, which can be associated mainly with growth in the Gross Domestic Product (GDP), the variation of the Selic rate and the increase in the nominal salary mass.

The reserve requirements on demand deposits, together with the Currency in Circulation (Note 18), 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:

	2013	2012
Opening balance	187,434,736	162,769,670
Changes	16,617,684	24,665,066
(+) Issuances	271,476,070	262,269,730
(-) Payment	(254,858,386)	(237,604,664)
Closing balance	204,052,420	187,434,736

As regards currency in circulation administrative expenses, the amounts in 2012 and 2013, recorded in Other Expenses, are as follows:

	2013	2012
Acquisition of notes and coins	1,233,843	827,739
Storage and safekeeping of notes and coins	72,500	66,278
Distribution of notes and coins	66,113	51,848
Selection of notes and coins	12,895	11,757
Destruction of notes and coins	1,362	1,274
Disclosure and researches of matters related to Currency in Circulation	11,947	13,011
Other	37	22
Total expenses with Currency in Circulation	1,398,697	971,929

23 - EQUITY

23.1. 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.

23.2. 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 3.6), attributing the amount of the last revaluation as the new cost (deemed cost). This amount is realized in accordance with the useful life of these assets.

The variation in the period is due to the recording of the revenue reserve in the first half of 2013, in the amount of R\$5,018,186, in accordance with the provisions of Law 11,803, of 2008, as well as the realization of the revaluation reserve, in the amount of R\$6,285 (R\$6,285 in 2012).

23.3. Gains (Losses) Recognized Directly in Equity

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

	Dec 31, 2013	Dec 31, 2012
Federal government securities		
Opening balance	12,277,676	5,621,981
Fair value adjustment	(10,064,653)	6,705,393
Write-off	(326,786)	(49,698)
Closing balance	1,886,237	12,277,676
Investment in International Financial Organizations		
Opening balance	(3,682,266)	(4,797,498)
Fair value adjustment	1,996,388	1,115,232
Closing balance	(1,685,878)	(3,682,266)
Remeasurements of defined benefit plans		
Opening balance	(16,591,121)	(11,340,821)
Actuarial gain (loss)	3,260,440	(4,903,915)
Adjustments arising from the return on assets not included in the net interest	(14,239)	(346,385)
Closing balance	(13,344,920)	(16,591,121)
Total	(13,144,561)	(7,995,711)

The variation in the period is mainly due to the negative fair value adjustment of federal government securities, partly offset by the positive fair value adjustment of investments in international financial organizations and the actuarial gain recognized in the period (Note 21.2).

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to Gains (Losses) Recognized Directly in Equity at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	Dec 31, 2012 (restated)
Federal government securities				
Opening balance	5,621,981	-	-	5,621,981
Fair value adjustment	6,705,393	-	-	6,705,393
Write-off	(49,698)	-	-	(49,698)
Closing balance	12,277,676	-	-	12,277,676
Gold				
Opening balance	2,611,515	-	(2,611,515)	-
Fair value adjustment	93,604	-	(93,604)	-
Closing balance	2,705,119	-	(2,705,119)	-
Investment in International Financial Organizations				
Opening balance	(4,797,498)	-	-	(4,797,498)
Fair value adjustment	1,115,232	-	-	1,115,232
Closing balance	(3,682,266)	-	-	(3,682,266)
Remeasurements of defined benefit plans				
Opening balance	(11,340,821)	-	-	(11,340,821)
Actuarial gain (loss)	(5,164,603)	260,688	-	(4,903,915)
Adjustments arising from the return on assets not included in the net interest	-	(346,385)	-	(346,385)
Closing balance	(16,505,424)	(85,697)	-	(16,591,121)
Total	(5,204,895)	(85,697)	(2,705,119)	(7,995,711)

24 - NET INTEREST RESULT

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

	2013	2012
Interest income	95,823,623	91,631,436
In foreign currencies	89,209	97,070
Cash and Cash Equivalents (Note 5)	23,747	33,497
Time Deposits Placed with Financial Institutions (Note 6)	38,270	39,107
Reverse Repo (Note 8)	13,092	16,605
Loans	3,003	1,449
Other	11,097	6,412
In local currency	95,734,414	91,534,366
Securities (Note 10)	94,183,264	89,429,697
Federal Government (Note 11)	1,069,477	698,894
Other	481,673	1,405,775
Interest expenses	(129,893,275)	(124,172,385)
In foreign currencies	(869,025)	(27,006)
Repo (Note 8)	(859,277)	(16,712)
Loans	(8,100)	(9,152)
Other	(1,648)	(1,142)
In local currency	(129,024,250)	(124,145,379)
Deposits Received from Financial Institutions (Note 18)	(20,550,559)	(24,384,100)
Repo (Note 8)	(54,616,387)	(45,032,330)
Federal Government (Note 11)	(51,716,661)	(52,474,648)
Other	(2,140,643)	(2,254,301)
Net interest result	(34,069,652)	(32,540,949)

The change observed in the net interest result is mainly due to:

- 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 10.2);
- decrease in expenses with the remuneration of deposits received from financial institutions, due to the decrease in the effective Selic rate, in comparison with the same period of the previous year, associated to the reduction of the average balance of deposits subject to remuneration in the period; and
- increase in expenses with the remuneration of repo and reverse repo operations, due to the increase in the average balance of these operations carried out by the BCB to manage market liquidity in the period.

Due to the changes in accounting policies relating to employee benefits (IAS 19), detailed in Note 4, the amounts related to interest income and expenses in local currency in 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	2012 (originally published)	Adjustment - IAS 19	2012 (restated)
Interest income	91,982,951	(351,515)	91,631,436
In foreign currencies	97,070	-	97,070
Cash and Cash Equivalents	33,497	-	33,497
Time Deposits Placed with Financial Institutions	39,107	-	39,107
Reverse Repo	16,605	-	16,605
Loans	1,449	-	1,449
Other	6,412	-	6,412
In local currency	91,885,881	(351,515)	91,534,366
Securities	89,429,697	-	89,429,697
Federal Government	698,894	-	698,894
Other	1,757,290	(351,515)	1,405,775
Interest expenses	(124,609,597)	437,212	(124,172,385)
In foreign currencies	(27,006)	-	(27,006)
Repo	(16,712)	-	(16,712)
Loans	(9,152)	-	(9,152)
Other	(1,142)	-	(1,142)
In local currency	(124,582,591)	437,212	(124,145,379)
Deposits Received from Financial Institutions	(24,384,100)	-	(24,384,100)
Repo	(45,032,330)	-	(45,032,330)
Federal Government	(52,474,648)	-	(52,474,648)
Other	(2,691,513)	437,212	(2,254,301)
Net interest result	(32,626,646)	85,697	(32,540,949)

25 - 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 financial instruments classified in this category and include foreign exchange variation, interest and fair value adjustments.

	2013	2012
In Foreign Currencies	94,812,979	72,891,414
Securities (Note 10)	92,691,213	70,055,142
Funds Under External Management (Note 7)	2,204,647	2,188,850
Other	(82,881)	647,422
In Local Currency	(34,067,625)	(21,184,464)
Derivatives (Note 9)	(34,067,625)	(21,184,990)
Other	-	526
Total	60,745,354	51,706,950

The variation is mainly a result of the effects of the depreciation of the Real against the main foreign currencies in the period (Note 3.3), which gave rise to the recognition of foreign exchange gains on the assets in foreign currencies, especially securities, and the recognition of a negative result regarding the derivatives in local currency, due to the foreign exchange equalization operation between the National Treasury and the BCB (Note 9.2.2).

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

These include interest and fair value adjustments of the receivables from the institutions under extrajudicial liquidation (Note 12.2.1), in the amount of R\$2,153,248 (R\$3,168,056 in 2012).

27 - GAINS (LOSSES) FROM FOREIGN CURRENCIES

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

	2013	2012
Gains (losses) from foreign currencies		
Cash and Cash Equivalents	2,877,408	2,285,905
Time Deposits Placed with Financial Institutions	3,737,845	3,182,300
Repurchase operations	1,118,489	65,187
Receivables	544,135	263,582
Items in the Course of Collection	(596,040)	(1,853,829)
Accounts Payable	(1,348,214)	(753,130)
Deposits Received from International Financial Organizations	(1,566,707)	(765,751)
Other	(4,801)	(4,431)
Total	4,762,115	2,419,833

The result presented arises mainly 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 2013 this foreign exchange depreciation was higher than that in the prior year.

28 - GAINS (LOSSES) ON MONETARY GOLD

These refer to the changes in the price of gold and include foreign exchange variation and fair value adjustments. The variation in the balance is mainly due to the negative fair value adjustment of gold, since in 2012 this adjustment was positive (Note 13).

29 - OTHER INCOME AND EXPENSES

	2013	2012
Other Income	3,228,676	3,085,398
Fines	171,156	128,958
Transfer from the National Treasury	2,111,960	2,316,930
Court-ordered debts	36,361	163,589
Reversal of provision for lawsuits	72,219	58,945
Tariffs	209,178	196,665
Other	627,802	220,311
Other Expenses	(3,619,264)	(3,457,669)
Personnel	(1,547,370)	(1,550,004)
Production and distribution of cash	(1,398,697)	(971,929)
Provision for litigation	(285,424)	(630,615)
Depreciation	(35,752)	(33,646)
Other administrative expenses	(352,021)	(271,475)

30 - INCOME STATEMENT

30.1. Net income for the year

The result for the year was positive in R\$31,955,882 (R\$24,794,030 in 2012), as shown in the following table:

	2013	2012
International Reserves Operations and Swaps	-	93,604
Profitability of the foreign currency reserves	95,535,334	76,632,557
Foreign exchange derivatives - Swaps in local currency	(2,382,192)	1,124,416
Foreign exchange equalization of reserves and derivatives (Profitability)	(93,153,142)	(77,663,369)
Other transactions in foreign currencies	2,015,349	(838,834)
Transactions in local currency	30,331,121	25,911,006
Interest income	95,734,414	91,534,366
Interest expenses	(129,024,250)	(124,145,379)
Foreign exchange equalization (Funding cost)	61,467,709	55,353,963
Institutions under liquidation (Fair value adjustment)	2,153,248	3,168,056
Other transactions in local currency	(390,588)	(371,746)
Net income for the year	31,955,882	24,794,030

Because the profitability obtained with the management of the international reserves and foreign exchange derivatives (swaps) (Note 9.2.1) is neutralized through the exchange equalization, the BCB's 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 fair value adjustment of the credits receivable from the institutions under liquidation also contributed to the result.

The result for the first half (R\$17,688,071), after realization (R\$3,143) and recording of reserves (R\$5,018,186), was transferred to the National Treasury in September 2013. The result for the second half (R\$14,267,811), after realization of reserves (R\$3,142), will be transferred no later than the 10th working day after the approval of these financial statements by the CMN (Note 1).

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to profitability of the foreign currency reserves and other transactions in local currency in 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	2012 (restated)
International Reserves Operations and Swaps	-	-	93,604	93,604
Profitability of the foreign currency reserves	76,538,953	-	93,604	76,632,557
Foreign exchange derivatives - Swaps in local currency	1,124,416	-	-	1,124,416
Foreign exchange equalization of reserves and derivatives (Profitability)	(77,663,369)	-	-	(77,663,369)
Other transactions in foreign currencies	(838,834)	-	-	(838,834)
Transactions in local currency	25,825,309	85,697	-	25,911,006
Interest income	91,885,881	(351,515)	-	91,534,366
Interest expenses	(124,582,591)	437,212	-	(124,145,379)
Foreign exchange equalization (Funding cost)	55,353,963	-	-	55,353,963
Institutions under liquidation (Fair value adjustment)	3,168,056	-	-	3,168,056
Other transactions in local currency	(371,746)	-	-	(371,746)
Net income for the year	24,614,729	85,697	93,604	24,794,030

30.2. Comprehensive income

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

For the purpose of providing greater transparency to the income statement, the statement of comprehensive income discloses the gains and losses recognized directly in equity, the items of which are presented in Note 23.3.

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to Other comprehensive income in 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	2012 (restated)
Net income for the year	24,614,729	85,697	93,604	24,794,030
Other comprehensive income	2,699,928	(85,697)	(93,604)	2,520,627
Items which will not be reclassified to results	(4,049,371)	(85,697)	-	(4,135,068)
Investment in International Financial Organizations	1,115,232	-	-	1,115,232
Remeasurements of Defined Benefit Plans	(5,164,603)	(85,697)	-	(5,250,300)
Items which may be reclassified to results	6,749,299	-	(93,604)	6,655,695
Federal Government Securities	6,655,695	-	-	6,655,695
Gold	93,604	-	(93,604)	-
Comprehensive income for the year	27,314,657	-	-	27,314,657

31 - FINANCIAL INSTRUMENTS – BY CATEGORY

31.1. In foreign currencies

	Dec 31, 2013		Dec 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	894,586,926	894,586,926	776,873,028	776,873,028
Loans and receivables	100,563,275	100,563,275	58,263,747	58,263,747
Available-for-sale	15,421,930	15,421,930	13,425,542	13,425,542
At fair value through profit or loss	778,601,721	778,601,721	705,183,739	705,183,739
Financial liabilities	30,501,083	30,501,083	19,341,850	19,341,850
Other liabilities	30,500,775	30,500,775	19,332,753	19,332,753
At fair value through profit or loss	308	308	9,097	9,097

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to financial assets in foreign currencies referring to December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Financial assets			
Carrying amount	784,189,650	(7,316,622)	776,873,028
Loans and receivables	58,263,747	-	58,263,747
Available-for-sale	20,742,164	(7,316,622)	13,425,542
At fair value through profit or loss	705,183,739	-	705,183,739
Fair value	784,189,650	(7,316,622)	776,873,028
Loans and receivables	58,263,747	-	58,263,747
Available-for-sale	20,742,164	(7,316,622)	13,425,542
At fair value through profit or loss	705,183,739	-	705,183,739

31.2. In local currency

	Dec 31, 2013		Dec 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	1,004,938,427	990,749,037	1,023,245,219	1,108,453,424
Held-to-maturity	953,068,070	938,878,680	665,314,340	750,522,545
Loans and receivables	25,880,088	25,880,088	74,683,081	74,683,081
Available-for-sale	-	-	244,908,593	244,908,593
At fair value through profit or loss	25,990,269	25,990,269	38,339,205	38,339,205
Financial liabilities	1,627,070,009	1,627,070,009	1,554,542,657	1,554,542,657
Other liabilities	1,625,990,782	1,625,990,782	1,554,542,657	1,554,542,657
At fair value through profit or loss	1,079,227	1,079,227	-	-

Except for the operations with securities in local currency classified as Held-to-maturity (Note 10.2), 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 35 to 39 present the BCB's risk policy for the management of financial assets and liabilities.

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to financial liabilities in local currency referring to December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	Dec 31, 2012 (restated)
Financial liabilities				
Carrying amount	1,551,751,841	85,697	2,705,119	1,554,542,657
Other liabilities	1,551,751,841	85,697	2,705,119	1,554,542,657
Fair value	1,551,751,841	85,697	2,705,119	1,554,542,657
Other liabilities	1,551,751,841	85,697	2,705,119	1,554,542,657

32 - FAIR VALUE – BY HIERARCHY

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

- Level 1 – price quotations of identical financial instruments, traded in an active market, without adjustments;
- Level 2 – prices quoted, not included in Level 1, observable for the asset or liability, directly or indirectly, including: (i) quotations of prices of similar financial instruments, traded in an active market; (ii) quotations of the prices of identical or similar financial instruments, traded on a market with little activity; and (iii) other relevant data observable for the financial instrument;
- Level 3 – non-observable data for the financial instrument, used in the measurement of financial assets or financial liabilities for which there are no observable data available or when there is little or no market activity on the valuation date.

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

At Dec 31, 2013

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

At Dec 31, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets in Foreign Currencies	<u>705,448,548</u>	<u>13,160,733</u>	<u>-</u>	<u>718,609,281</u>
Funds under External Management	-	13,092,735	-	13,092,735
Derivatives	-	67,998	-	67,998
Securities	692,023,006	-	-	692,023,006
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>-</u>	<u>9,097</u>	<u>-</u>	<u>9,097</u>
Derivatives	-	9,097	-	9,097

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 12.2.1), up to December 31, 2012, were 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 reference rates for ID x TR swaps made available by BM&FBovespa for the period of the payment in installments.

As from 2013, the methodology for the calculation of the fair value of these credits was changed to include a risk premium that reflects the price of the uncertainty inherent to the cash flows, as established by IFRS 13 – Fair Value Measurement. This premium is calculated based on the difference of the interest rate that approximates the present value of the contracted cash flow to the cash flow adjusted based on the ability to pay of the institution under liquidation.

Since the risk premium for receivables from institutions under liquidation is estimated based on internal pricing models, which do not reflect the market parameters, due to the exceptional characteristics of the counterparty, its classification was changed to the Level 3 of the fair value hierarchy.

The table below presents information on the unobservable market parameters that were used in the measurement of the fair value of the receivables from the institutions under liquidation at December 31, 2013:

	Measurement	Unobservable parameters	Interval (weighted average)
Receivables - Institutions under Extrajudicial Liquidation	Present value of cash flows	Risk premium	0% - 38% (3.67%)

The gains and losses on receivables from institutions under liquidation classified in Level 3 of the fair value hierarchy are recognized in full in the income statement, in Gains (losses) on financial instruments classified as At Fair Value through Profit or Loss, by designation of the management (Note 26). A parallel shift of 5 percentage points above the risk premium would result in a negative impact of R\$5,621,885 on the income statement.

There were no transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy during the fiscal year 2013.

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

	2013	2012
Opening balance	36,585,614	35,271,513
Changes	(10,623,200)	1,314,101
Fair value adjustment	13,779,861	3,635,039
Transfer from Level 2	1,738,394	-
Write-off	(26,141,457)	(2,320,936)
Other	2	(3)
Closing balance	25,962,414	36,585,614

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to assets in foreign currencies at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Assets in Foreign Currencies	725,925,903	(7,316,622)	718,609,281
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

33 - TRANSFERS OF FINANCIAL ASSETS

The BCB sells securities under repurchase agreements. In these operations, the assets recognized in its balance sheet are transferred, but the risks and benefits associated to them are retained (Note 3.4.2), including those arising from the change in the value of these assets. In this situation, the securities transferred (Note 10) are not derecognized in the accounting records, and the obligation related to these operations is recognized in liabilities in repo operations (Note 8).

Repo operations in local currency are backed by federal government securities held in custody in the Selic, and may be carried out with a clause of “free 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 (Note 8.2).

The following table presents the carrying amount and fair value of the securities in local currency transferred but still recognized in the balance sheet and their respective associated liabilities. In 2012 and 2013, there were no balances outstanding at the closing of the balance sheet regarding operations of this nature involving securities in foreign currencies.

At Dec 31, 2013

	Financial assets		
	Available-for-sale	Held-to-maturity	Total
Transferred assets and associated liabilities			
Carrying amount of the securities linked to the repo	-	536,543,925	536,543,925
Carrying amount of the repo	-	528,733,563	528,733,563
Associated liabilities whose right of recourse applies only to the transferred assets			
Fair value of the securities linked to the repo (A)	-	528,162,795	528,162,795
Fair value of the repo (B)	-	528,733,563	528,733,563
Net position (A - B)	-	(570,768)	(570,768)

At Dec 31, 2012

	Financial assets		
	Available-for-sale	Held-to-maturity	Total
Transferred assets and associated liabilities			
Carrying amount of the securities linked to the repo	180,007,785	379,236,910	559,244,695
Carrying amount of the repo	178,863,354	406,981,490	585,844,844
Associated liabilities whose right of recourse applies only to the transferred assets			
Fair value of the securities linked to the repo (A)	180,007,785	414,149,124	594,156,909
Fair value of the repo (B)	178,863,354	406,981,490	585,844,844
Net position (A - B)	1,144,431	7,167,634	8,312,065

34 - OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

However, some financial assets and liabilities that are not offset are subject to agreements, in which each party may have the option to settle all such amounts on a net basis in the event of default or bankruptcy of the other party. Repurchase operations involving securities (Note 8) and foreign exchange swaps (Note 9.2.1) are included in this context.

34.1. In foreign currencies

The following table presents the amounts of financial assets in foreign currencies subject to offsetting, corresponding to the operations carried out in SML and CCR (Note 12.1):

At Dec 31, 2013

	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Receivables	1,267,045	(816,871)	450,174	-	-	450,174
Total	1,267,045	(816,871)	450,174	-	-	450,174

At Dec 31, 2012

	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Receivables	819,975	(691,638)	128,337	-	-	128,337
Total	819,975	(691,638)	128,337	-	-	128,337

The following table presents the amounts of financial liabilities in foreign currencies subject to offsetting, corresponding to the operations carried out in SML and CCR (Note 12.1). As provided for in IFRS 7 – Financial Instruments: Disclosures, the gross amount of financial assets offset was limited to the gross amount of recognized financial liabilities.

At Dec 31, 2013

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Accounts Payable	816,871	(816,871)	-	-	-	-
Total	816,871	(816,871)	-	-	-	-

At Dec 31, 2012

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Accounts Payable	691,638	(691,638)	-	-	-	-
Total	691,638	(691,638)	-	-	-	-

34.2. In local currency

The following table presents the amounts of financial assets in local currency, which were not offset, but are subject to agreements that permit the settlement on a net basis, corresponding to repurchase operations involving securities (Note 8.2). As provided for in IFRS 7, the amount of financial instruments that were not offset was limited to the net value of recognized financial assets.

At Dec 31, 2013

	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial Assets Purchased Under Resale Agreements	5,403	-	5,403	(5,403)	-	-
Total	5,403	-	5,403	(5,403)	-	-

At Dec 31, 2012

	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial Assets Purchased Under Resale Agreements	61,849,997	-	61,849,997	(61,849,997)	-	-
Total	61,849,997	-	61,849,997	(61,849,997)	-	-

The following table presents the amounts of financial liabilities in local currency, which were not offset, but are subject to agreements that permit the settlement on a net basis, corresponding to repurchase operations involving securities (Note 8.2) and foreign exchange swaps (Note 9.2.1). As provided for in IFRS 7, the amount of financial instruments that were not offset was limited to the net value of recognized financial liabilities.

At Dec 31, 2013

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivatives	1,077,085	-	1,077,085	(1,077,085)	-	-
Financial Assets Sold Under Repurchase Agreements	528,733,563	-	528,733,563	(525,860,993)	-	2,872,570
Total	529,810,648	-	529,810,648	(526,938,078)	-	2,872,570

At Dec 31, 2012

	Gross amounts of recognised financial liabilities	Gross amounts of financial assets offset	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial Assets Sold Under Repurchase Agreements	585,844,844	-	585,844,844	(585,844,287)	-	557
Total	585,844,844	-	585,844,844	(585,844,287)	-	557

35 - RISK MANAGEMENT

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

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

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

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

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

A portion of the international reserves is managed externally under the PGER. This program was restarted in 2012, with the objective of diversifying investments and providing more flexibility to the reserve management process, as well as promoting transfer of technology and a more effective exchange of knowledge of the international financial markets between the BCB and the external managers of international reserves. In addition to the PGER, with regard to the assets in foreign currency externally managed, the BCB invests in a fund of the BIS, the BISIP-ILF1, which corresponds to a portfolio of U.S. government securities linked to inflation (TIPS).

b) Financial instruments intended for executing the monetary policy:

The monetary policy is performed mainly through operations with federal government securities and foreign exchange swaps. The portfolio of federal government securities issued by the National Treasury is used primarily to execute actions of the monetary and foreign exchange policies, normally through open market operations, 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 36 to 39 present the main risks to which these two portfolios of financial instruments are exposed, as well as the management policy of these risks.

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

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, forwards and commercial papers should be contracted with counterparties belonging to groups with a short term rating of P-1 and a minimum long-term rating of Aa, except for repos and reverse repos, for which operations with counterparties belonging to groups with a minimum long-term rating equal to A is permitted.

In operations with securities, the BCB invests in sovereign securities, where the minimum admissible rating for the issuer is Aa and 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 European Central Bank, the Banque de France, the Bank of England or central banks of countries with a long-term rating of Aaa are limited to 5% of the total assets of the respective institutions. Operations whose counterparty is the BIS do not have exposure limits.

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

With respect to investments in securities, 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.

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

a.3) Maximum terms

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

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

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

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 10.2), considered as without credit risk, which are used mainly for the carrying out of repo and reverse repo operations (Nota 8.2).

Swaps (Note 9.2.1) are contracted on BM&FBovespa, a clearing house which is the central counterparty of the operations. BM&FBovespa has a policy for the control of the credit risk through collateral requirements from all the members.

The amount of these guarantees is calculated using stress tests, which consider the total possible loss until the date of the settlement of the contracts. The collaterals may be established in federal government securities, bank guarantees, bank deposit certificates, shares, gold or in cash, amongst others. The majority of the members of the clearing house, including the BCB, establishes 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, 2013	Dec 31, 2012
Brazil	1,045,828,698	1,034,559,530
European Economic Community	141,028,509	128,584,423
United States	625,518,306	553,437,377
Other	87,149,840	83,536,917
Total	1,899,525,353	1,800,118,247

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to financial assets at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Brazil	1,036,043,342	(1,483,812)	1,034,559,530
European Economic Community	134,417,233	(5,832,810)	128,584,423
United States	553,437,377	-	553,437,377
Other	83,536,917	-	83,536,917
Total	1,807,434,869	(7,316,622)	1,800,118,247

d) Concentration of financial assets by type of counterparty:

At Dec 31, 2013

	Financial Institutions	International Organizations	Government Institutions	Other	Total
Cash and Cash Equivalents	1,977,859	10,917,493	10,860,662	-	23,756,014
In foreign currency	1,506,259	10,917,493	10,860,662	-	23,284,414
In local currency	471,600	-	-	-	471,600
Deposits	1,864,406	13,586,375	18,156,483	-	33,607,264
In foreign currency	351,364	13,586,375	18,156,483	-	32,094,222
In local currency	1,513,042	-	-	-	1,513,042
Funds Under External Management	2,119,910	706,810	11,669,940	800,110	15,296,770
Financial Assets Purchased Under Resale Agreements	40,637,489	-	-	-	40,637,489
In foreign currency	40,632,086	-	-	-	40,632,086
In local currency	5,403	-	-	-	5,403
Derivatives	3,200	-	-	24,655	27,855
In local currency	3,200	-	-	24,655	27,855
Securities	-	8,432,899	1,689,304,423	18,635,699	1,716,373,021
In foreign currency	-	8,432,899	736,236,353	18,635,699	763,304,951
In local currency	-	-	953,068,070	-	953,068,070
Receivables from the Federal Government	-	-	10,971,117	-	10,971,117
Receivables	11,236,175	4,102,379	-	28,077,244	43,415,798
In foreign currency	-	4,102,379	-	450,174	4,552,553
In local currency	11,236,175	-	-	27,627,070	38,863,245
Investment in International Financial Organizations	-	15,421,930	-	-	15,421,930
Other	-	-	-	18,095	18,095
In local currency	-	-	-	18,095	18,095
Total Assets	57,839,039	53,167,886	1,740,962,625	47,555,803	1,899,525,353

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
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	-	-	-	19,493	19,493
In local currency	-	-	-	19,493	19,493
Total Assets	80,500,292	46,438,846	1,608,949,121	64,229,988	1,800,118,247

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to other financial assets at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Other	7,336,115	(7,316,622)	19,493
In foreign currency	7,316,622	(7,316,622)	-
In local currency	19,493	-	19,493

37 - 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 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.

37.1. 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:

	Dec 31, 2013		Dec 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Fixed rate	1,308,601,957	466,891,086	1,228,392,066	408,012,637
Floating	570,761,804	1,119,832,478	556,761,945	1,107,849,967
Without interest	20,161,592	70,847,528	14,964,236	58,021,903
Total	1,899,525,353	1,657,571,092	1,800,118,247	1,573,884,507

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to financial assets and liabilities at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Adjustment - IAS 19	Dec 31, 2012 (restated)
Assets	1,807,434,869	(7,316,622)	-	1,800,118,247
Fixed rate	1,228,392,066	-	-	1,228,392,066
Floating	556,761,945	-	-	556,761,945
Without interest	22,280,858	(7,316,622)	-	14,964,236
Liabilities	1,571,093,691	2,705,119	85,697	1,573,884,507
Fixed rate	408,012,637	-	-	408,012,637
Floating	1,105,059,151	2,705,119	85,697	1,107,849,967
Without interest	58,021,903	-	-	58,021,903

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, 2013							
	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Without interest	Total
Assets							
Cash and Cash Equivalents	22,485,589	-	-	-	-	1,270,425	23,756,014
In foreign currency	22,485,589	-	-	-	-	798,825	23,284,414
In local currency	-	-	-	-	-	471,600	471,600
Deposits	12,640,716	20,966,548	-	-	-	-	33,607,264
In foreign currency	11,127,674	20,966,548	-	-	-	-	32,094,222
In local currency	1,513,042	-	-	-	-	-	1,513,042
Funds Under External Management	2,288,270	1,553,960	750,150	6,274,880	3,507,800	921,710	15,296,770
Financial Assets Purchased Under Resale Agreements	6,238,263	23,270,959	11,128,267	-	-	-	40,637,489
In foreign currency	6,232,860	23,270,959	11,128,267	-	-	-	40,632,086
In local currency	5,403	-	-	-	-	-	5,403
Derivatives	-	-	-	-	-	27,855	27,855
In local currency	-	-	-	-	-	27,855	27,855
Securities	544,540,375	93,877,031	139,691,780	829,031,841	109,231,994	-	1,716,373,021
In foreign currency	4,847,982	50,774,231	96,723,011	559,815,222	51,144,505	-	763,304,951
In local currency	539,692,393	43,102,800	42,968,769	269,216,619	58,087,489	-	953,068,070
Receivables from the Federal Government	10,970,069	-	-	-	-	1,048	10,971,117
Receivables	40,915,269	-	-	-	-	2,500,529	43,415,798
In foreign currency	4,552,553	-	-	-	-	-	4,552,553
In local currency	36,362,716	-	-	-	-	2,500,529	38,863,245
Investment in International Financial Organizations	-	-	-	-	-	15,421,930	15,421,930
Other	-	-	-	-	-	18,095	18,095
In local currency	-	-	-	-	-	18,095	18,095
Total assets (A)	640,078,551	139,668,498	151,570,197	835,306,721	112,739,794	20,161,592	1,899,525,353
Liabilities							
Items in the Course of Collection	-	-	-	-	-	7,550,969	7,550,969
In foreign currency	-	-	-	-	-	7,538,885	7,538,885
In local currency	-	-	-	-	-	12,084	12,084
Deposits Received from Financial Institutions	310,467,171	8,850,045	-	-	-	49,779,499	369,096,715
In foreign currency	-	-	-	-	-	1,665	1,665
In local currency	310,467,171	8,850,045	-	-	-	49,777,834	369,095,050
Financial Assets Sold Under Repurchase Agreements	481,672,085	76,324,749	11,264,032	-	-	-	569,260,866
In foreign currency	-	375,385	-	-	-	-	375,385
In local currency	481,672,085	75,949,364	11,264,032	-	-	-	568,885,481
Derivatives	-	-	-	-	-	1,079,535	1,079,535
In foreign currency	-	-	-	-	-	308	308
In local currency	-	-	-	-	-	1,079,227	1,079,227
Payables to the Federal Government	687,081,449	-	-	-	-	-	687,081,449
Accounts Payable	647,656	10,416,377	-	-	-	228,999	11,293,032
In foreign currency	-	10,416,377	-	-	-	-	10,416,377
In local currency	647,656	-	-	-	-	228,999	876,655
Deposits Received from International Financial Organizations	-	-	-	-	-	12,171,819	12,171,819
In foreign currency	-	-	-	-	-	12,164,179	12,164,179
In local currency	-	-	-	-	-	7,640	7,640
Other	-	-	-	-	-	36,707	36,707
In foreign currency	-	-	-	-	-	4,284	4,284
In local currency	-	-	-	-	-	32,423	32,423
Total liabilities (B)	1,479,868,361	95,591,171	11,264,032	-	-	70,847,528	1,657,571,092
Net position (A - B)	(839,789,810)	44,077,327	140,306,165	835,306,721	112,739,794	(50,685,936)	241,954,261

At Dec 31, 2012	Up to 1 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
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	-	-	-	-	-	19,493	19,493
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	14,964,236	1,800,118,247
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	636,328,424	-	-	-	-	-	636,328,424
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)	1,385,418,254	130,438,070	6,280	-	-	58,021,903	1,573,884,507
Net position (A - B)	(712,375,512)	(51,199,519)	46,379,391	872,436,637	114,050,410	(43,057,667)	226,233,740

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to other assets and to payables to the Federal Government at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Adjustment - IAS 19	Dec 31, 2012 (restated)
Assets				
Other	7,336,115	(7,316,622)	-	19,493
In foreign currency	7,316,622	(7,316,622)	-	-
In local currency	19,493	-	-	19,493
Liabilities				
Payables to the Federal Government	633,537,608	2,705,119	85,697	636,328,424

37.2. 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.

At December 31, 2013, the distribution of assets and liabilities per currency was as follows:

At Dec 31, 2013	U.S. Dollar	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Yen	Swedish Krona	Danish Krone	Other	Total
Assets											
Cash and Cash Equivalents	12,384,699	418,493	346,185	644,265	68,164	9,362,264	51,809	850	1,019	6,666	23,284,414
Time Deposits Placed with Financial Institutions	32,094,222	-	-	-	-	-	-	-	-	-	32,094,222
Funds Under External Management	9,781,374	1,490,793	862,670	1,106,591	1,058,005	-	671,875	2,564	-	322,898	15,296,770
Financial Assets Purchased Under Resale Agreements	40,375,541	119,357	-	58,079	62,811	-	-	16,298	-	-	40,632,086
Securities	590,723,719	45,626,332	46,969,995	25,278,087	21,743,693	-	15,715,274	8,363,088	8,878,429	6,334	763,304,951
Receivables	450,174	-	-	-	-	4,102,379	-	-	-	-	4,552,553
Investment in International Financial Organizations	-	-	-	-	-	15,421,830	-	-	-	-	15,421,830
Total assets (A)	685,809,729	47,654,975	48,178,850	27,087,022	22,932,673	28,886,573	16,438,958	8,382,800	8,879,448	335,898	894,586,926
Liabilities											
Items in the Course of Collection	7,494,499	-	-	-	44,386	-	-	-	-	-	7,538,885
Deposits Received from Financial Institutions	1,665	-	-	-	-	-	-	-	-	-	1,665
Financial Assets Sold Under Repurchase Agreements	256,493	32,259	44,042	42,591	-	-	-	-	-	-	375,385
Derivatives	-	-	-	-	308	-	-	-	-	-	308
Accounts Payable	-	-	-	-	-	10,416,377	-	-	-	-	10,416,377
Deposits Received from International Financial Organizations	201,325	-	-	-	-	11,962,035	-	-	-	819	12,164,179
Other	4,284	-	-	-	-	-	-	-	-	-	4,284
Total liabilities (B)	7,958,266	32,259	44,042	42,591	44,694	22,378,412	-	-	-	819	30,501,083
Net position (A - B)	677,851,463	47,622,716	48,134,808	27,044,431	22,887,979	6,508,161	16,438,958	8,382,800	8,879,448	335,079	864,085,843

At Dec 31, 2012	U.S. Dollar	Euro	Canadian Dollar	Pound Sterling	Australian Dollar	SDR	Yen	Swedish Krona	Danish Krone	Other	Total
Assets											
Cash and Cash Equivalents	4,021,113	592,217	336,459	410,384	90,821	8,145,373	24,485	8,968	4,171	2,620	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	-	476,839	162,272	-	58,146	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	-	16,642,383	7,440,606	7,702,243	205,702	692,023,006
Receivables	128,337	-	-	-	-	3,239,477	-	-	-	-	3,367,814
Investment in International Financial Organizations	-	-	-	-	-	13,425,542	-	-	-	-	13,425,542
Total assets (A)	588,639,471	39,844,035	44,702,833	23,086,534	23,047,274	24,810,392	17,143,707	7,625,900	7,706,414	266,468	776,873,028
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	-	4,454	-	413	19,341,850
Net position (A - B)	588,176,327	39,558,376	44,702,833	23,086,534	22,996,413	6,273,073	17,143,707	7,621,446	7,706,414	266,055	757,531,178

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to other assets at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Assets			
Other	7,316,622	(7,316,622)	-

37.3. Foreign exchange equalization

The foreign exchange equalization operation (Note 9.2.2) 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, 2013, adjusted by the position assumed in the foreign exchange equalization:

	Dec 31, 2013	Dec 31, 2012
Net position in foreign currency	870,157,871	764,847,800
Foreign exchange equalization	(878,657,977)	(774,392,228)
Exposure in foreign currency	(8,500,106)	(9,544,428)

With respect to the interest rate, the result obtained by the BCB in the foreign exchange equalization operations, based on the average balance of the international reserves in the period, was 8.58% positive, since the funding cost covered by the National Treasury was 7.58%, while the result from interest (including mark-to-market) of international reserves transferred to the National Treasury was 1.00% negative.

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.

37.4. Sensitivity analysis

The foreign exchange equalization operation (Notes 9.2.2 and 37.3) reduced the volatility of the BCB's result, arising from price changes inherent to the international reserves. Additionally, the classification 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, 2013:

	Exchange rate	Foreign exchange coupon curve	Foreign currencies interest curve	ID x TR swap curve
Exchange rate swap	(200,374,291)	(200,374,291)	-	-
International reserves	878,657,977	-	878,657,977	-
Accounts payable in foreign currencies	10,416,377	-	-	-
Receivables from institutions under liquidation	-	-	-	25,962,414

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 four 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 and ID x TR swap curve. For the exchange rate, 20% appreciation of the Real against the other currencies was simulated. For the foreign exchange coupon and ID x TR swap curves, a parallel shift of one percentage point above these curves was simulated. For the interest curves of the currencies that comprise the international reserves, a parallel shift of half a percentage point above these curves was simulated. The simulations consider only the immediate results of the price changes, 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 the ID x TR swap curve
Exchange rate swap	35,188,195	693,785	-	-
International reserves	(175,731,595)	-	(7,610,707)	-
Accounts payable in foreign currencies	2,083,275	-	-	-
Receivables from institutions under liquidation	-	-	-	(2,085,436)
Foreign exchange equalization	139,600,573	(693,785)	7,610,707	-
Net impact	1,140,448	-	-	(2,085,436)
on the result	4,224,834	-	-	(2,085,436)
on equity	(3,084,386)	-	-	-

38 - 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:

At Dec 31, 2013

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

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

At Dec 31, 2012

	Up to 1 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
Total assets (A)	39,920,063	48,154,657	15,357,407	607,070,664	66,370,237	776,873,028
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	47,756,063	757,531,178

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

Due to the changes in accounting policies relating to gold operations, detailed in Note 4, the amounts related to other assets at December 31, 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	Dec 31, 2012 (originally published)	Adjustment - Gold	Dec 31, 2012 (restated)
Assets			
Other	7,316,622	(7,316,622)	-

39 - NON-FINANCIAL RISK

Non-financial risk, which includes, among others, the strategic, legal and operational risks, may generate financial loss, damage to reputation or inability to achieve the objectives of the business, resulting from one or more causes of risk, originating from human factors, or defective or inadequate processes or systems, or external events. The management of non-financial risk in the BCB is carried out

using an integrated risk management system, which establishes the integration and coordination of the organization's risk management process in a single methodological framework, in a structured and systematic manner. The main tools used to identify and measure risks, supported by computer systems developed for this purpose, are: Risk and Control Self-Assessment (RCSA), key risk indicators and the history of events.

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

40 - RELATED PARTIES

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

40.1. Federal Government

The BCB is an autonomous federal government agency linked to the Ministry of Finance (MF) and a member of the 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 10.2), excluding the result from mark-to market adjustments. In 2013 the yield was 10.92% (11.20% in 2012).

b) The BCB's result:

A profit earned by the BCB, after the recording or reversal of reserves, creates an obligation of the BCB to the Federal Government, which must be transferred no later than the 10th working day after the approval of the financial statements by the CMN. If there is a loss, this result creates a credit for the BCB against the Federal Government, which must be paid 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 11 and 41.a).

c) Foreign exchange equalization:

Through the foreign exchange equalization operation (Notes 9.2.2 and 37.3), the carrying cost of the international reserves and the result of the foreign exchange 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 half year, and will be settled financially according to the same rules established for the transfer or coverage of the results, also with respect to their adjustment (Note 11).

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 19.2 and 21.1). In 2013, court-ordered debts were paid in the amount of R\$35,137 (R\$163,589 in 2012), 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 MF for the purpose of: (i) encouraging investments in assets in Brazil and abroad; (ii) forming public savings; (iii) mitigating the effects of economic cycles; and (iv) encouraging projects 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, 2013 no operation had been carried out.

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

	2013	2012
National Treasury Operating Account		
Opening balance	620,401,291	475,622,276
(+) remuneration	50,797,950	50,083,969
(+/-) deposits/withdrawals	(59,595,863)	(54,072,218)
(+) transfer of positive result	44,361,949	148,767,264
Closing balance	655,965,327	620,401,291
Securities issued by the National Treasury		
Opening balance	910,222,934	754,543,113
(+/-) net purchase (net redemption)	(40,946,691)	59,594,425
(+) remuneration	94,183,263	89,429,703
(+/-) fair value adjustment	(10,391,436)	6,655,693
Closing balance	953,068,070	910,222,934
Result to be transferred to the National Treasury		
Opening balance	15,090,442	13,855,362
(+) positive result to be transferred	26,943,981	24,800,316
(+) remuneration	536,241	429,619
(-) transfers	(28,299,711)	(23,994,855)
Closing balance	14,270,953	15,090,442
Foreign exchange equalization		
Opening balance	-	-
(+/-) adjustments	(31,685,433)	(22,309,406)
(+/-) transfers for credit payable (receivable)	31,685,433	22,309,406
Closing balance	-	-
Receivable due to foreign exchange equalization result		
Opening balance	9,900,595	101,274,794
(+) foreign exchange equalization result	-	9,900,595
(+) remuneration	1,069,474	631,075
(-) amounts received	-	(101,905,869)
Closing balance	10,970,069	9,900,595
Credit payable due to foreign exchange equalization result		
Opening balance	-	(90,240,059)
(-) foreign exchange equalization result	(31,685,433)	(32,210,001)
(-) remuneration	(295,736)	(2,322,349)
(+) payments	16,062,238	124,772,409
Closing balance	(15,918,931)	-
Transfer under budget law	2,111,960	2,316,930

Due to the changes in accounting policies relating to employee benefits (IAS 19) and gold operations, detailed in Note 4, the amounts related to the result to be transferred to the National Treasury in 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	2012 (originally published)	Adjustment - IAS 19	Adjustment - Gold	2012 (restated)
Result to be transferred to the National Treasury				
Opening balance	11,243,847	-	2,611,515	13,855,362
(+) positive result to be transferred	24,621,015	85,697	93,604	24,800,316
(+) remuneration	429,619	-	-	429,619
(-) transfers	(23,994,855)	-	-	(23,994,855)
Closing balance	12,299,626	85,697	2,705,119	15,090,442

40.2. 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 21.2). The BCB is the sponsor of Centrus and, accordingly, there were the following transactions between the entities:

	2013	2012
Actuarial Surplus		
Opening balance	682,632	1,149,284
(+/-) remeasurements of defined benefits plans	400,150	(771,865)
(+) interest	168,226	305,213
Closing balance	1,251,008	682,632
Receivables		
Opening balance	1,208,301	966,887
(+) interest	166,273	109,716
(+) distribution of surplus	546,839	-
(+) reversal of tax contingency	-	166,255
(-) amounts received	(383,294)	(34,557)
Closing balance	1,538,119	1,208,301

The main changes observed in the period are due to the actuarial gains (Note 21.2), remuneration of the credits receivable and the recognition of the distribution of the surplus of the plan approved by Ordinance 504, of 2013, partly offset by the receipt of the portion of credits referring to the reversal of tax contingencies recognized in 2012 (Note 12.2.2.b).

Due to the changes in accounting policies relating to employee benefits (IAS 19), detailed in Note 4, the amounts related to the actuarial surplus in 2012 – comparative information – were adjusted retrospectively, as summarized in the following table:

	2012 (originally published)	Adjustment - IAS 19	2012 (restated)
Actuarial Surplus			
Opening balance	1,149,284	-	1,149,284
(+/-) remeasurements of defined benefits plans	(874,024)	102,159	(771,865)
(+) interest	407,372	(102,159)	305,213
Closing balance	682,632	-	682,632

40.3. Casa da Moeda do Brasil (CMB)

CMB (the Brazilian mint) is a federal public company, linked to the MF 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 2013, the BCB purchased notes and coins in the amount of R\$1,233,843 (R\$827,739 in 2012).

40.4. Pension fund of the Brazilian Mint (Cifão)

Cifão, 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 Cifão.

40.5. 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 2013, Redi-BC spent R\$77,482 (R\$72,832 in 2012) to pay for the execution of projects and reimbursed the BCB R\$2,691 (R\$2,814 in 2012) as a management fee.

40.6. 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 2013, the expenses incurred by the BCB as an ordinary contribution to Faspe totaled R\$78,049 (R\$73,408 in 2012), and the extraordinary contributions amounted to R\$34,759 (R\$34,558 in 2012).

40.7. Board of Directors and members occupying strategic positions

The BCB has eight Directors (including the Governor), a Head of Cabinet of the Governor, an Executive Secretary, an Attorney General and 45 civil servants - consisting of Heads of Cabinet of Directors and Heads of Department, 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:

	2013	2012
Short-term benefits	24,125	20,304
Directors	3,396	3,082
Other members occupying strategic positions	20,729	17,222
Total	24,125	20,304

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 BCB'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 six months as from exoneration. There were no expenses with these benefits in 2012 and 2013.

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 BCB's staff, who receive the same benefits as the other employees of the BCB (Note 21.2).

41 - FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

The sole paragraph of Article 8 of Law 4,595, of 1964, with the wording given by Decree Law 2,376, of November 25, 1987, establishes that “as from January 1, 1988, the results obtained by Banco Central, considering the 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 4, 2000):

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

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

Pursuant to Clause II of Article 2 of Provisional Measure 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\$3,631,432 in the third quarter and R\$10,636,379 in the fourth quarter, giving a total result of R\$14,267,811 in the second half of 2013 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, 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 third quarter, the cost corresponding to the remuneration of the deposits of the National Treasury was R\$10,630,443 and R\$14,384,145 in the fourth quarter, totaling R\$25,014,588 in the second half of 2013.

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 daily 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, 2013, 92.36% 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 2013, the international reserves had a positive return of 1.47%. After deducting the BCB's funding costs, the net result of the reserves was negative by 0.14% (R\$1,218,845). In the fourth quarter, the return of the reserves was 4.63% positive, totaling 2.23% positive (R\$18,995,316) when taking into consideration the funding cost.

	International Reserves		Cost of Funding (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability (%)		(%)	(R\$ thousand)
3rd quarter/2013	853,337,796	1.47	(1.61)	(0.14)	(1,218,845)
4th quarter/2013	853,548,399	4.63	(2.40)	2.23	18,995,316
Total for the half year					17,776,471

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 2013, the international reserves presented a positive return of 0.35%, which is composed by accrued interest (0.21%) and the mark-to-market adjustment of the assets (0.14%). After deducting the funding costs, the net result of the reserves was negative by 1.26% (R\$10,768,436). In the fourth quarter, the profitability of the reserves was negative by 0.07% (0.13% through the incorporation of interest and 0.20% through negative mark-to-market adjustments of the assets), totaling 2.47% negative (R\$21,075,406) when considering the funding costs.

	International Reserves		Cost of Funding (%)	Cost of Maintaining International Reserves	
	Average Balance (R\$ thousand)	Profitability, excluding exchange variation (%)		(%)	(R\$ thousand)
3rd quarter/2013	853,337,796	0.35	(1.61)	(1.26)	(10,768,436)
4th quarter/2013	853,548,399	(0.07)	(2.40)	(2.47)	(21,075,406)
Total for the half year					(31,843,842)

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\$21,542,807 in the third quarter and R\$24,952,209 in the fourth quarter, totaling R\$46,495,016 in the second half of 2013.

Governor: Alexandre Antonio Tombini

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

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

(A free translation of the original in Portuguese)

Banco Central do Brasil

**Financial statements at
December 31, 2013 and
independent auditor's report**



(A free translation of the original in Portuguese)

Independent auditor's report

To the Management
Banco Central do Brasil

We have audited the accompanying financial statements of Banco Central do Brasil ("BCB"), which comprise the balance sheet as at December 31, 2013 and the statements of income, comprehensive income, changes in equity and foreign currencies cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Banco Central do Brasil

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Banco Central do Brasil as at December 31, 2013, and its financial performance and cash flows in foreign currency for the year then ended, in accordance with the International Financial Reporting Standards (IFRS).

Other matters

Supplementary information

We have also audited the accounting information included in the supplementary information presented in Note 41, which is not required by the International Financial Reporting Standards (IFRS) but is being presented in compliance with the Fiscal Responsibility Law. This accounting information has been subjected to the same procedures described above and, based on our opinion, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the financial statements taken as a whole.

Brasília, February 12, 2014

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

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

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

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