In Thousands of Reais

ASSETS	Notes	Dec 31, 2009	Dec 31, 2008	Jan 1, 2008
ASSETS IN FOREIGN CURRENCIES		429,635,304	512,512,891	358,117,237
Cash and Cash Equivalents	6	13,864,571	5,298,870	4,261,705
Time Deposits Placed with Financial Institutions	7	12,426,729	4,502,885	13,570,788
Financial Assets Purchased Under Resell Agreement	8	6,048,730	25,239,270	27,768,670
Derivatives	9	68,364	31,271	41,608
Debt Securities	10	385,906,479	453,186,973	302,322,757
Credits Receivable	12	951,839	10,987,472	-
Gold	13	2,045,440	2,195,773	1,595,257
Investments in International Financial Oragnizations	14	8,323,152	11,070,364	8,556,444
Other	16	-	13	8
ASSETS IN LOCAL CURRENCY		727,960,902	534,579,563	408,234,298
Cash and Cash Equivalents	6	31	2,382,660	-
Deposits	7	612,245	607,935	598,156
Financial Assets Purchased Under Resell Agreement	8	-	44,298	2,790,896
Derivatives	9	-	1,546,385	393,822
Debt Securities	10	640,215,918	496,741,066	359,335,362
Receivables from the Federal Government	11	53,932,939	14	17,350,687
Credits Receivable	12	28,964,668	29,910,234	23,803,245
Property, Plant and Equipment	15	780,498	784,459	791,425
Other	16	3,454,603	2,562,512	3,170,705
TOTAL		1,157,596,206	1,047,092,454	766,351,535

LIABILITIES	Notes	Dec 31, 2009	Dec 31, 2008	Jan 1, 2008
LIABILITIES IN FOREIGN CURRENCIES		21,352,204	29,842,296	37,759,860
Items in the Course of Collection	17	391,691	2,871,375	261,831
Deposits Received from Financial Institutions	18	470	631	478
Financial Assets Sold Under Repurchase Agreement	8	6,048,448	14,161,569	27,766,297
Derivatives	9	63,055	102,562	77,437
Accounts Paybale	19	8,121,885	1,485,861	1,037,139
Deposits Received from International Financial Organizations	20	6,725,871	11,219,310	8,615,362
Other		784	988	1,316
LIABILITIES IN LOCAL CURRENCY		984,284,167	887,431,843	624,699,974
Items in the Course of Collection	17	247,446	22	716,616
Deposits Received from Financial Institutions	18	97,077,510	90,035,395	145,973,427
Financial Assets Sold Under Repurchase Agreement	8	454,709,678	345,735,757	190,207,090
Derivatives	9	-	628,550	2,863
Payables to the Federal Government	11	413,807,893	437,426,384	276,333,619
Accounts Paybale	19	1,211,601	1,157,348	1,139,276
Deposit Received from International Financial Organizations	20	566	5,716	27,633
Provisions	23	17,206,482	12,402,781	10,274,504
Other		22,991	39,890	24,946
CURRENCY IN CIRCULATION	24	131,861,185	115,590,704	102,885,047
NET EQUITY	25	20,098,650	14,227,611	1,006,654
Capital		24,675,451	13,072,428	2,576,356
Income Reserve		1,606,019	1,606,019	1,606,019
Revaluation Reserve		466,440	472,725	479,011
Gains (Losses) Recognized Directly in Equity		(6,649,260)	(923,561)	(3,654,732)
TOTAL		1,157,596,206	1,047,092,454	766,351,535

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

INCOME STATEMENT - 2009
In Thousands of Reais

	Notes	2009	2008 Reclassified
Interest income		58,027,077	53,581,194
Interest expenses		(84,464,030)	(74,007,152)
(=) Net interest income	**26**	(26,436,953)	(20,425,958)
Gains (losses) on financial assets classified as "At fair value through profit or loss" - held for trading	**27**	36,121,024	32,484,183
Gains (losses) on financial assets classified as "At fair value through profit or loss" - designated by management	**28**	1,422,929	3,114,080
Gains (losses) on investment position		-	971
Gains (losses) on foreign exchange	**29**	(4,865,942)	(421,699)
Other income	**30**	2,035,058	1,957,050
Other expenses	**30**	(2,667,072)	(3,363,234)
NET INCOME (LOSS) RECOGNIZED IN ACCORDANCE WITH IFRSs	**31.1**	**5,609,044**	**13,345,393**

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

In Thousands of Reais

	Notes	2009	2008
INCOME STATEMENT FOR THE YEAR	**31.1**	**5,609,044**	**13,345,393**
Gains (losses) recognized directly in the Statement of Comprehensive Income		**(5,731,984)**	**2,724,885**
Realization of Revaluation Reserves		(6,285)	(6,286)
Available-for-sale Financial Assets		(2,416,427)	4,371,067
Gains (Losses) recognized in Equity		(2,040,943)	4,791,651
(Gains) Losses transferred to Income		(375,484)	(420,584)
Actuarial Gains (Losses) of Defined Benefit Plans		(3,309,272)	(1,639,896)
NET COMPREHENSIVE INCOME FOR THE PERIOD	**31.2**	**(122,940)**	**16,070,278**

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

CHANGES IN EQUITY - 2009
In Thousands of Reais

	Notes	INCOME RESERVE	REVALUATION RESERVE	GAINS (LOSSES) RECOGNIZED DIRECTLY IN EQUITY	CAPITAL	NET EQUITY
Balance as at December 31, 2008		**1,606,019**	**472,725**	**(923,561)**	**13,072,428**	**14,227,611**
Increase of Capital	25.1	-	-	-	11,603,023	11,603,023
Realization of Revaluation Reserves		-	(6,285)	-	6,285	-
Available-for-sale Financial Assets						
- Gains (Losses) recognized in Equity		-	-	(2,040,943)	-	(2,040,943)
- (Gains) Losses transferred to Income		-	-	(375,484)	-	(375,484)
Actuarial gains (losses)		-	-	(3,309,272)	-	(3,309,272)
Total Gains (Losses) recognized directly in Equity	25.3	**-**	**(6,285)**	**(5,725,699)**	**6,285**	**(5,725,699)**
Net income (loss) 1st semester		-	-	-	(941,601)	(941,601)
Net income (loss) 2nd semester		-	-	-	6,550,645	6,550,645
Net income (loss) for the year	31.1	**-**	**-**	**-**	**5,609,044**	**5,609,044**
Total income and expenses recognized during the year		**-**	**(6,285)**	**(5,725,699)**	**5,615,329**	**(116,655)**
Result to be covered by the National Treasury - 1st semester		-	-	-	938,458	938,458
Result to be transferred to the National Treasury - 2nd semester		-	-	-	(6,553,787)	(6,553,787)
Balance as at December 31, 2009		**1,606,019**	**466,440**	**(6,649,260)**	**24,675,451**	**20,098,650**
Balance as at December 31, 2007		**1,606,019**	**479,011**	**(3,654,732)**	**2,576,356**	**1,006,654**
Capital increase		-	-	-	10,496,072	10,496,072
Realization of Revaluation Reserves		-	(6,286)	-	6,286	-
Available-for-sale Financial Assets						
- Gains (Losses) recognized in Equity		-	-	4,791,651	-	4,791,651
- Gains (Losses) reclassified to the Income Statement		-	-	(420,584)	-	(420,584)
Actuarial gains (losses)		-	-	(1,639,896)	-	(1,639,896)
Total Gains (Losses) recognized directly in Equity		**-**	**(6,286)**	**2,731,171**	**6,286**	**2,731,171**
Net income (loss) 1st semester		-	-	-	3,172,740	3,172,740
Net income (loss) 2nd semester		-	-	-	10,172,653	10,172,653
Net income (loss) for the year		**-**	**-**	**-**	**13,345,393**	**13,345,393**
Total income and expenses recognized during the year		**-**	**(6,286)**	**2,731,171**	**13,351,679**	**16,076,564**
Result to be transferred to the National Treasury - 1st semester		-	-	-	(3,175,883)	(3,175,883)
Result to be transferred to the National Treasury - 2nd semester		-	-	-	(10,175,796)	(10,175,796)
Balance as at December 31, 2008		**1,606,019**	**472,725**	**(923,561)**	**13,072,428**	**14,227,611**

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

CASH FLOW STATEMENT - 2009
In Thousands of Reais

	Nota	2009	2008
NET CASH FLOW FROM OPERATING ACTIVITIES		**5,098,256**	**(2,575,498)**
Interest received		10,676,382	12,074,384
Interest paid		(9,398)	(29,877)
(Purchase) sales of securities		(56,740,538)	(12,282,595)
Purchases (sales) of foreign currencies		43,582,013	(2,524,979)
(Placement) redemptions of repurchase and reverse repurchase transactions		(7,512,728)	(9,946,684)
(Placement) receipts of time deposits		(9,208,466)	10,560,444
Redemption of deposits received		434,459	1,492,552
(Payments) receipts on behalf of the National Treasury		3,299,063	1,245,248
(Granting) redemptions of credits receivable		20,956,217	(3,101,387)
Derivatives		(379,644)	(50,937)
Other payments / receipts		896	(11,667)
NET CASH FLOW FROM FINANCING ACTIVITIES		**7,347,204**	**-**
Obtenção (pagamento) de empréstimos	**19.1**	7,347,204	-
NET CASH FLOW		**12,445,460**	**(2,575,498)**
CHANGE IN CASH AND CASH EQUIVALENTS		**12,445,460**	**(2,575,498)**
Cash and cash equivalents at the beginning of the period		5,298,870	4,261,705
Cash and cash equivalents at the end of the period	**32**	13,864,571	5,298,870
Effect of exchange rate changes on cash and cash equivalents		(3,879,759)	3,612,663

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

1 BANCO CENTRAL DO BRASIL AND ITS ATTRIBUTIONS

Banco Central do Brasil (the “Bank”), established on December 31, 1964 with the enactment of the Law 4.595, is an autonomous federal institution that forms part of the National Financial System. The Bank’s mission is to ensure the stability of the Brazilian currency purchasing power and the soundness of the National Financial System. The Bank’s head office is located in Brasilia, DF, at Setor Bancário Sul – Quadra 3, Bloco B, and it has offices in nine other states of Brazil.

As determined by Law 4.595/1964, the National Monetary Council (CMN) authorized the publication of these financial statements on February 19, 2009. The financial statements are available on the Bank’s Internet website (www.bcb.gov.br).

2 PRESENTATION

The financial statements of the Bank as at December 31, 2009 have been prepared in accordance with the International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board — IASB.

In 2009, the International Financial Reporting Standards Board – Iasb issued IFRS 9 – Financial Instruments, whose application is mandatory for annual periods beginning on or after 1st January 2013. Although earlier application is permitted, the Bank’s management decided not to do so, on the grounds that:

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

   - Phase 1: classification and measurement;
   - Phase 2: impairment; and
   - Phase 3: hedge accounting.

b) just the first of the three phases has been concluded, being the other phases expected to be concluded during the course of 2010; and

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Determination of profit and loss

The Bank’s profit and loss is determined semi-annually on an accrual basis and transferred to the National Treasury in case of net income, or otherwise covered by the National Treasury in the event of a net loss (notes 31.1 and 39.a).

3.2 Recognition of interest income and expenses

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

(Amounts are expressed in thousands of Reais) 7

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

3.3 Assets and liabilities denominated in foreign currencies

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

	Dec 31, 2009	Dec 31, 2008
Dollar	1.7408	2.3366
Euro	2.5066	3.2372
SDR	2.7191	3.6166
Gold (fine troy ounces)	1,893.1200	2,032.2579

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

The exchange rates used are those published by the Bank, with the exception of the Gold exchange rate. In this case, the rate used is the London Stock Exchange's PM Fixing, which is converted into Real via the dollar exchange rate used at the financial statements dates.

3.4 Financial assets and liabilities

3.4.1 Recognition

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

3.4.2 Derecognition

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

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

3.4.3 Offsetting of assets and liabilities

Financial assets and liabilities are offset in the balance sheet and shown at their net values when there are both the intention and a legally enforceable right to settle the recognized amounts on a net basis.

3.4.4 Classification of financial instruments

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

a) Financial assets at fair value through profit or loss

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

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

b) Held-to-maturity

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

c) Loans and receivables

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

d) Available for sale

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

3.4.5 Measurement

Fair value is the market value published by primary depository trust companies (custodians) or economic information providers. For financial instruments with no active market, fair value is calculated using pricing models, which include the prices of the most recent trades, discounted cash flows and the fair value of similar financial instruments. The pricing models used are certified by a multi-departmental committee, which also suggests improvements and new methodologies. The fair value measurements methodologies are classified into levels, which is demonstrated in note 22.

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

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

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

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

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

Liabilities in Local Currency	Category	Measurement Basis / Source of Information
Items in the Course of Collection	Other liabilities	Amortized Cost
Deposits Received from Financial Institutions	Other liabilities	Amortized Cost
Financial Assets Sold Under Agreement to Repurchase	Other liabilities	Amortized Cost
Derivatives	At Fair Value through Profit or Loss	Fair Value - BM&FBovespa Exchange
Payables to the Federal Government	Other liabilities	Amortized Cost
Accounts Payable	Other liabilities	Amortized Cost
Deposits Received from International Financial Organizations	Other liabilities	Amortized Cost

3.4.6 Impairment of financial assets

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

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

a) financial difficulties of the issuer or obligor;

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

c) renegotiations or granting of discounts;

d) extrajudicial liquidation, bankruptcy or other types of financial reorganizations;

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

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

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

For assets classified as “available for sale”, when there is objective evidence of impairment, the accumulated loss recognized in equity is transferred to the income statement, even though the loss has not been effectively realized.

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

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

3.4.7 Derivatives

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

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

3.5 Property, plant and equipment

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

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

a) buildings: 62.5 years

b) equipment and furniture:

   - computer equipment and vehicles: 5 years

   - other equipment and furniture: 10 years.

3.6 Provisions

3.6.1 Legal claims

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

3.6.2 Post-employment benefits

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

A defined benefit plan predetermines the value of the employee benefit at the moment of retirement, based upon one or more factors, such as age and period of contribution.

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

The actuarial surplus recorded in the balance sheet refers to the excess of plan assets over the plan obligations in the Centrus Plan – Fundação Banco Central de Previdência Privada (note 23.2 and

38.2), which represents an economic benefit available to the Bank. The expectation stems from the following facts:

a) there is no longer the possibility of admission of new beneficiaries sponsored by the Bank, which will lead to the extinction of its purpose with the death of the last beneficiary or dependent, with the consequent return of the actuarial surplus to the sponsor.

b) according to article 13 of Complementary Law 108/2001, any improvement in benefits or any reversion of amounts to participants, beneficiaries or to the sponsor, should be preceded by a favorable manifestation from the Bank.

3.7 Tax immunity

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

3.8 Cash flow statement

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

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

4 ACCOUNTING RECLASSIFICATION

4.1 Separation of local currency and foreign currency operations

In the fulfillment of its mission the Bank undertakes operations that are interrelated to one another which cannot be assessed separately. When the Bank purchases a foreign currency the market liquidity of the country's local currency is augmented, which requires a posterior series of open market operations so as to adequate the volume of the means of payment to the economy's actual needs.

Hence, notwithstanding the fact that the Bank's primary actions are addressed to the management of the international reserves, the purchase of dollars in the domestic market conduces to a series of other actions, which demands that the Bank undertakes its role of monetary authority. However, the limit of those two roles is not clear. Thus, the Bank's actions as the manager of the international reserves are not restricted to the concept of "foreign currency operations", considering that the operations with the reserves have indissoluble and direct impact on the operations in local currency and its resulting balances.

Consequently, so as to allow users of the financial statements to fully and directly understand the relation among the several items in profit and loss, considering their specific nature, from 2009 onwards, the Bank's Income Statement no longer presents the separation between "Foreign Currency Operations" and "Local Currency Operations". For the purpose of comparison, the Income Statement for the year 2008 was reclassified.

4.2 Foreign currency assets administered by third-parties (outsourced administration)

In order to allow comparability of the two financial statements, the management promoted an accounting reclassification in the 2008 Income statement of the results obtained from foreign exchange variations with assets denominated in foreign currencies whose management was outsourced. Despite the fact that those assets were classified as "at fair value through profit or loss – held for trading", the resulting foreign exchange gains and losses (R$887,254 positive) were shown under the item "foreign exchange gains and losses" instead of "gains (losses) on financial assets classified as 'at fair value through profit or loss – held for trading'".

5 THE BANK'S MEASURES AGAINST THE FINANCIAL CRISIS

With the intention to resist the international financial crisis, whose aggravation occurred from the 2nd semester of 2008, in the fulfillment of its strategic objective of promoting the National Financial

System's regular operation and efficiency, the Bank has timely acted in the pursue of the maintenance of adequate levels of system liquidity, both in local and foreign currencies.

From the 2nd quarter of 2009, the impact of these measures and the subduing of the global aversion to risks determined the decreasing of market uncertainties and volatility and the slow return of the liquidity in the national and domestic financial markets, restoring the National Financial System to normality.

Since then, and in light of that, the exceptional measures taken by the Bank, beginning at the 2nd semester of 2008, started to be reverted, commencing with the slow liquidation of the repo and reserve repo operations in the domestic market and the repayment of the majority of the loans granted. In the wake of that the Bank returned the policy of incorporating international reserves, by purchases in the foreign exchange spot market. The principal measures implemented since the onset of the crisis were:

5.1 Foreign currency sale in the spot market

The sale of foreign currency in the spot market provides liquidity to the domestic market in times of significant shortage of foreign currency, therefore reducing market volatility and allowing economic agents to better predict the market.

From May 2009 onwards, the Bank resumed the acquisition of foreign currency in the domestic spot market, keeping the principles of not influencing the trend of exchange rates, not setting up cap or floor parameters and also not adding volatility to the market.

5.2 Commitment under agreement of foreign currency operations in the domestic market

By means of these operations the Bank provides liquidity of foreign currency to the domestic market by selling foreign currency in the spot market with the agreement to repurchase it in a future date. The exchange rates are set at public sales held by dealers and the repurchase occurs in thirty days (note 8.1.b). The purpose of these operations is to regulate the market liquidity and to provide short-term lines of credit to the foreign exchange market participants. These operations were settled during the 1st semester of 2009 (note 8.2).

5.3 Foreign currency loans

Foreign currency loan operations aim to facilitate companies and financial institutions to roll over their foreign debts and also to provide the market with resources to be directed to the financing of foreign trade operations. In order to facilitate the rollover of foreign debts, these loans, which require collateralization with foreign currency, are available by request and have a limited term of 360 days being subject to the Libor rate plus an additional spread set by the Bank.

So as to provide resources - directed to the external trade or not -, the loans are offered in an auction modality and also maintain the 360-day term and require collateralization with foreign currency. Amongst others, Advances on Export Contracts (ACC) and Advances on Promissory Notes of Exports Delivered (ACE) are especially accepted. During 2009, there has been a reduction in the amount of these transactions, due to the maturity of some lines of credit and also of the relevant volume of anticipated liquidations (note 12.1).

5.4 Currency swaps with the Federal Reserve

It is an agreement in which the Federal Reserve (Fed) commits to provide a US$30 billion foreign credit line to the Bank, because of the shortage of foreign financing. This transaction is interest-free and independent on any covenants related to the country's economic policies. The resources will be available to the Bank until February 1, 2010.

5.5 SDR allocation

The Special Drawing Rights (SDR) are reserve assets set up by the International Monetary Fund (IMF) that, in the context of the allocations to member countries, represent a creation of liquidity by the Fund, since they are part of a country's international reserves.

During 2009, the IMF performed a special allocation of SDR (note 19.1) intending to enhance the available reserves to member countries coping with the financial crisis.

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5.6 Liquidity of the National Financial System

In order to restore the sources of moneys to the credit market and the levels of liquidity especially to medium and small financial institutions, the Bank implemented some measures, among them:

5.6.1 Changes in the rules on reserve requirements

a) reduction of the percentage of the reserve requirements and a change in the way they are collected by the monetary authority:

	2009	2008
Time deposits		
Reducer	30,000	30,000
Percentage	13.50%	15%
Deduction [1]	2,000,000	2,000,000
Form of collection	55% in Cash; and 45% in Federal public securities	70% in Cash; and 30% in Federal public securities
Interest	Cash - no interest; and Federal public securities - Federal public securities interest	Cash - no interest; and Federal public securities - Federal public securities interest
Additional requirement		
Reducer	1,000,000	1,000,000
Percentage - Demand deposits	5%	5%
Percentage - Savings deposits	10%	10%
Percentage - Time deposits	4%	5%
Form of collection	Federal public securities	Federal public securities
Interest	Federal public securities interests	Federal public securities interests

[1] Only collection of the parcel that exceeds the amount specified. It is worth emphasizing that, to give greater liquidity to the system, the Bank allowed the deduction of values used in transactions involving the purchase of assets from other institutions.

b) reduction, by the end of the third quarter of 2009, from R$7 billion to R$2.5 billion, in the Regulatory Capital maximum limit of the institutions sellers of assets or depositories of Interbank Deposits (DI), in order to qualify the amounts applied on these operations for the deduction of the reserve requirement to be kept in cash against deposits on long term resources by their counterparts.

c) postponement to March 31, 2010, of the deadline for institutions to acquire assets and place interbank deposits (DI) that would be deducted from the reserve requirement to be kept in cash against deposits on long term resources.

5.6.2 New mode of term deposits authorized to banks

The Bank authorized a new modality of term deposit, guaranteed by a private fund named Fundo Garantidor de Créditos (FGC). The deposits are limited to R$20 million per financial institution per investor. The minimum term, initially 6 months, was extended to 12 months. The maximum term is 60 months.

6 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

6.1 In foreign currencies

It comprises the portion of the international reserves that the Bank maintains in financial institutions as demand deposits and short-term deposits, in accordance with its risk management policy, as described in notes 33 to 37.

The positive variation observed in the period results from the IMF's special allocation of SDR (note 19.1), which had the purpose of augmenting the available reserves to member countries facing the financial crisis (note 5).

6.2 In local currency

The balance of cash and cash equivalents in local currency on December 31, 2009 refer to receivables from pending operations coursed in the Local Currency Payment System (SML).

The negative variation in cash and cash equivalents in local currency came forth as a result of the existence, on December 31, 2008, of receivables from pending operations coursed in the domestic market with the objective of providing liquidity to the National Financial System.

7 DEPOSITS

7.1 In foreign currencies

The item comprises the portion of the international reserves that the Bank maintains in financial institutions as fixed-term deposits, in accordance with its risk management policy, as described in notes 33 to 37.

The variation in the balance observed in the period results from the increase in the levels of the application in fixed-term deposits due to the progressive recovery in the confidence in the international markets.

7.2 In local currency

The deposits are those constituted in accordance with legal determinations, bound to legal claims in process, and for which either a provision has been recognized (note 23.1) or a court-ordered payment order has been issued (note 19.1). The deposits are remunerated by the TR (Referential Rate) and, due to their nature, are restricted for other use until a court decision is issued on the subject on litigation.

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

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

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8.1 In foreign currencies

	Dec 31, 2009	Dec 31, 2008
Reverse Repurchase Agreement (Reverse Repo)	**6,048,730**	**25,239,270**
Foreign Market	**6,048,730**	**4,519,470**
Securities	5,665,303	4,279,478
Currencies	383,427	239,992
Collateral	5,630,616	4,392,162
Domestic Market - Term Repurchase	**-**	**20,719,800**
Currencies	-	20,719,800
Repurchase Agreement (Repo)	**6,048,448**	**14,161,569**
Foreign Market	**6,048,448**	**14,161,569**
Securities	5,665,127	13,919,806
Currencies	383,321	241,763
Collateral	5,531,474	13,731,961

a) Reverse repo in the foreign market:

Reverse repo operations are performed exclusively against US Treasuries as collateral. The quantity of securities and the amounts received as collateral are continuously monitored and adjusted to their price and risk. The calculation of the collateral adjustments is done considering the set of operations of each counterpart, i.e., margin adjustments are made every time the collateral offered in repo operations (note 8.1.c) is greater than 98% of the collateral received in reverse repo operations.

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

b) Reverse repo in the domestic market – term repurchase:

In these transactions the Bank sells foreign currency in the spot market and commits to its repurchase in a future date, against payment in Reais (note 8.2). The term of these transactions varies according to economic conjuncture, and both the amount and interest rates applied are set by auction.

At the maturity date, the transactions whose resources have been used by the financial institutions in operations of ACC or ACE are converted into loans, collateralized by the respective ACC or ACE operations (note 12.1).

c) Repo in the foreign market:

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

d) Variation in the period:

The variation in the period occurred due to the subduing of the credit crisis in the international market (note 5), determining a minor need for the Bank’s interference both in the control of foreign currency liquidity and in the regulation of its own foreign currency cash flow.

(Amounts are expressed in thousands of Reais) 16

8.2 In local currency

	Dec 31, 2009	Dec 31, 2008
Reverse Repurchase Agreement (Reverse Repo)	**-**	**44,298**
Securities	-	44,298
Collateral	**-**	**44,443**
Repurchase Agreement (Repo)	**454,709,678**	**345,735,757**
Securities	454,709,678	325,199,593
Foreign Currencies	-	20,536,164
Collateral	**457,316,991**	**331,267,409**
Transactions of collateral allowed	79,443,490	45,646,534
Transactions of collateral not allowed	377,873,501	285,620,875

a) Securities operations:

The collateral of repos and reverse repos are always constituted in debt securities issued by the federal government and held under custody in the Special System of Clearance and Custody (Selic). Aiming to protect the creditor against the fluctuations of the market rates, these securities are valued at prices lower than their value in the secondary market. Since the value of the guarantees is established when the transaction takes place and there is no adjustment while it is effective, the seller takes the risk of fluctuation of the market prices of the guarantees when they fall under those established when the transaction took place.

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

The increase in the balance in the period occurred on account of the Bank's performance in the control of the financial system liquidity following the net redemption of federal government debt securities held by the market, including the payment of interest; and also due to the Bank's performance in the foreign exchange interbank market via the carrying out of foreign currency auction-mode purchases.

b) Foreign currency operations – Note 8.1.b

9 DERIVATIVES

9.1 In foreign currencies

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

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

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

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

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Dec 31, 2009

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

Dec 31, 2008

Derivative/Currency	Long Position	Short Position	Positive Adjustment	Negative Adjustment
Forward				
1 month			7,092	6,569
Australian Dollar	72,464	-	-	-
Canadian Dollar	26,487	113,664	-	-
Swiss Franc	27,636	48,165	-	-
Euro	29,415	23,987	-	-
Pound Sterling	31,990	13,057	-	-
Japanese Yen	-	31,087	-	-
Norwegian Krone	26,347	-	-	-
New Zealand Dollar	73,178	-	-	-
United States Dollar	226,195	281,951	7,092	6,569
Securities Futures				
1 - 6 months			24,179	95,993
United States Dollar	5,205,711	32,390,884	9,350	80,526
Euro	12,547,885	-	-	15,467
Pound Sterling	1,951,172	-	14,829	-
TOTAL			**31,271**	**102,562**

Given their characteristics, a delivery versus payment transaction, currency forward operations demand no collaterals. In relation to the future operations, the collaterals are deposits that amounted to R$69,251 in 2009 (R$339,772 in 2008).

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9.2 In local currency

a) Swap:

As an instrument in its monetary and foreign exchange policies, the Bank can carry out swap operations indexed to interest rates and foreign exchange variations in order to provide foreign exchange hedges for financial institutions and other economic agents.

These operations are contracted by means of auctions which are performed within the Bank's proprietary electronic system and are recorded on the Stock, Futures and Commodities Exchange - BM&F Bovespa, as a standard contract - "DI x US Dollar Swap with Reset - SCC". In the long positions, the Bank is on the asset side with respect to domestic interest rates, represented by the average one-business-day Interbank Deposits (DI) rate, and on the liability side, with respect to exchange rate variation plus interest, represented by an exchange rate coupon. Conversely, in the short positions, the asset side is linked to the exchange rate variation plus the exchange rate coupon, and on the liability side, DI interest rates. These contracts have a notional value, which is equivalent to US$50.000 and are daily financially adjusted. The BM&F Bovespa, as described in note 34.b, stipulates the value of collateral.

The purchase of such contracts by the Bank is called in the financial market as a "currency swap" and the sale is identified as "reverse currency swap".

During 2009, the Bank matched its exposure in swap operations, making equal the contract's long and short positions.

b) Foreign exchange equalization:

The Law 11.803, of November 11, 2008 established the foreign exchange equalization between the National Treasury and the Bank, whose goal is to give greater transparency to the results of transactions of the monetary authority and reduce the volatility of its results, derived from the increasing unmatched balances between foreign assets and liabilities (note 38.1)

Through the exchange rate equalization, the cost of maintaining the foreign exchange reserves and the result of the exchange rate swap carried out in the domestic market are transferred to the National Treasury. These values are calculated on a daily basis. The balance payable or receivable is calculated in the last business day of the semester, and will be settled according to the same rules for the transference or coverage of the Bank's results (note 39.a).

In 2009, the foreign exchange equalization operation resulted in a positive R$147,718,892 (in 2008, a negative R$126,617,756), as demonstrated in note 38.1.

10 DEBT SECURITIES

10.1 In foreign currencies

	Dec 31, 2009	Dec 31, 2008
Uncommitted Securities	**380,375,005**	**439,455,013**
1 month	134,570	265,982
1 - 6 months	75,675,037	1,416,784
6 - 12 months	7,325,789	7,821,142
1 - 5 years	288,875,799	354,364,820
more than 5 years	8,363,810	75,586,285
Securities linked to Repurchase Agreements	**5,531,474**	**13,718,301**
1 - 5 years	5,531,474	10,016,603
more than 5 years	-	3,701,698
Securities granted as collateral	**-**	**13,659**
6 - 12 months	-	13,659
TOTAL	**385,906,479**	**453,186,973**

(Amounts are expressed in thousands of Reais) 19

These securities are fixed rate debt securities, issued by national treasuries, supranational or multilateral organisms or governmental agencies, acquired by the Bank in accordance to its policy of diversification (notes 33 to 37). The portfolio is part of the international reserves and its main objective is the security of the investment.

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

	Dec 31, 2009	Dec 31, 2008
Cost	383,063,041	426,254,972
Mark-to-market Adjustment	2,843,438	26,932,001
Carrying Amount	**385,906,479**	**453,186,973**

The variation in the foreign currency portfolio occurred due to the investment of resources originated from the resuming of the purchases of dollars in the domestic market (note 5.1) and also from the maturing of foreign currency loans in this market (note 12.1), which was partially compensated by the appreciation of the Real in relation to the main foreign currencies.

10.2 In local currency

Dec 31, 2009

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**38,943,310**	**377,062**	**8,506,718**	**80,627,225**	**56,466,871**	**184,921,186**
LTN	29,980,256	377,062	627,718	6,913	-	30,991,949
LFT	-	-	-	7,149,119	6,045,746	13,194,865
NTN-B	-	-	100,618	28,644,583	31,322,503	60,067,704
NTN-F	8,963,054	-	7,778,382	44,826,610	19,098,622	80,666,668
Securities linked to Repurchase Agreements	**-**	**14,313,036**	**34,496,149**	**320,348,147**	**86,128,587**	**455,285,919**
LTN	-	14,313,036	20,434,539	66,713,349	-	101,460,924
LFT	-	-	-	201,212,816	28,373,525	229,586,341
NTN-B	-	-	14,061,610	38,500,617	51,980,009	104,542,236
NTN-F	-	-	-	13,921,365	5,775,053	19,696,418
Untradable securities	**-**	**-**	**8,628**	**-**	**185**	**8,813**
NTN-P	-	-	8,628	-	185	8,813
TOTAL	**38,943,310**	**14,690,098**	**43,011,495**	**400,975,372**	**142,595,643**	**640,215,918**

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Dec 31, 2008

	Up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	more than 5 years	Total
Uncommitted Securities	**33,216,244**	**4,489,021**	**5,382,148**	**73,684,807**	**40,205,857**	**156,978,077**
LTN	33,216,244	4,489,021	594,320	10,993,535	-	49,293,120
LFT	-	-	4,787,828	7,637,930	3,759,395	16,185,153
NTN-B	-	-	-	15,576,167	19,312,451	34,888,618
NTN-F	-	-	-	39,477,175	17,134,011	56,611,186
Securities linked to Repurchase Agreements	**-**	**18,388,891**	**45,196,509**	**177,209,194**	**92,651,479**	**333,446,073**
LTN	-	7,150,000	30,950,380	44,148,639	-	82,249,019
LFT	-	3,156,825	6,395,037	96,328,984	58,904,133	164,784,979
NTN-B	-	8,082,066	7,851,092	29,117,254	31,065,078	76,115,490
NTN-F	-	-	-	7,614,317	2,682,268	10,296,585
Securities granted as collateral	**-**	**-**	**-**	**4,070,697**	**2,237,962**	**6,308,659**
LFT	-	-	-	4,070,697	2,237,962	6,308,659
Untradable securities	**-**	**-**	**-**	**8,084**	**173**	**8,257**
NTN-P	-	-	-	8,084	173	8,257
TOTAL	**33,216,244**	**22,877,912**	**50,578,657**	**254,972,782**	**135,095,471**	**496,741,066**

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

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

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

b) Financial Treasury Bills – LFT: variable interest rates determined by the adjusted average rate of daily financing in the Special System of Clearance and Custody - SELIC (SELIC rate);

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

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

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

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

(Amounts are expressed in thousands of Reais) 21

	Dec 31, 2009			Dec 31, 2008		
	Cost	Mark-to-market Adjustment	Carrying Amount	Cost	Mark-to-market Adjustment	Carrying Amount
Available-for-sale	**131,889,464**	**563,409**	**132,452,873**	**131,231,926**	**310,213**	**131,542,139**
LTN	131,889,464	563,409	132,452,873	131,231,926	310,213	131,542,139
Held-to-maturity	**507,763,045**	**-**	**507,763,045**	**365,198,927**	**-**	**365,198,927**
LFT	242,781,206	-	242,781,206	187,278,790	-	187,278,790
NTN-B	164,609,939	-	164,609,939	111,004,108	-	111,004,108
NTN-F	100,363,086	-	100,363,086	66,907,771	-	66,907,771
NTN-P	8,814	-	8,814	8,258	-	8,258
Total	**639,652,509**	**563,409**	**640,215,918**	**496,430,853**	**310,213**	**496,741,066**

In relation to the Bank's federal government securities portfolio, it is relevant to highlight:

a) the enactment of the Law 11.803/2008, on November 5, 2008, authorized the Federal Government (through the National Treasury) to issue securities directly to the Bank, with the purpose of maintaining the adequate size of the Bank's National Treasury securities portfolio so as to achieve an appropriate execution of the monetary policy. In 2009, the subject was further regulated by the Ministry of Finance, which determined that the National Treasury issued securities to compose the Bank's portfolio anytime this type of investment reached a balance inferior to R$20,000,000. The issuance must occur in ten business days of the event and must be sufficient to restore the R$20,000,000 threshold while also mustn't be less than R$10,000,000. On July 3, 2009, the National Treasury issued R$11,603,023 worth of securities in conformity with the Law 11.803/2008 (LTN, LFT e NTN-B). The LTN securities were classified as "available for sale" and the other two types of securities as "held-to-maturity";

b) the Bank and the National Treasury have bartered National Treasury securities portfolio. The Bank's Global Bonds securities, an external federal public debt security, were exchanged for domestic federal public debt securities issued by the national Treasury directly to the Bank, the design of the operation granted the economic equivalence of the exchange. At the time a an amount of R$1,579,719 NTN-F was issue, being the securities classified as "held-to-maturity"; and

c) the National Treasury provided the Bank with securities to cover in anticipation the result of the equalization operation and the negative result of the Bank, related to the 1st semester of 2009 (note 38.1). The issuance amounted to R$98,123,121 in securities, which were classified as "available for sale" ((LTN equivalent to R$21,708,188) and "held-to-maturity" (LFT, NTN-B e NTN-F equivalent to R$76,414,933).

Therefore, the variation observed in the securities portfolio is a result of the issuance of securities by the National Treasury in favor of the Bank, as well as the related interest accrued during the period.

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11 TRANSACTIONS WITH THE FEDERAL GOVERNMENT

Assets	Dec 31, 2009	Dec 31, 2008
Foreign exchange equalization	53,931,576	-
Other	1,363	14
Total	**53,932,939**	**14**

Liabilities	Dec 31, 2009	Dec 31, 2008
National Treasury Operating Account	406,354,420	255,216,723
Result to be transfered to the National Treasury	6,553,787	10,175,796
Foreign exchange equalization	-	171,416,012
Other	899,686	617,853
Total	**413,807,893**	**437,426,384**

In light of constitutional and legal provisions, the Bank has a financial relationship with the National Treasury, which is further detailed in note 38.1.

12 CREDITS RECEIVABLE

12.1 In foreign currencies

	Dec 31, 2009	Dec 31, 2008
Loans in Foreign Currencies	**951,296**	**10,987,472**
Loans collateralized in securities	-	3,576,514
Loans collateralized in other assets	949,481	7,410,958
Loans to domestic enterprises (collateralized)	1,815	-
Collaterals	**1,301,493**	**11,808,468**
Global Bonds	-	3,980,832
ACC and ACE	622,298	7,397,124
Credit Contracts	1,787	-
Federal government debt securities	321,414	430,512
Other guarantees in foreign currencies	355,994	-
Other Credits Receivable	**543**	**-**
Total	**951,839**	**10,987,472**

The amount refers to loans in foreign currencies carried out by the Bank in order to provide liquidity to the National Financial System. The resources obtained by the borrower in these operations shall be necessarily invested in Advance on Export Contracts (ACC), Advances on Promissory Notes of Exports Delivered (ACE) and import financing operations.

These loans are collateralized by external debt securities (Global Bonds) or even the ACC and ACE originated from the funds of the operation and, in this case, the loans are preceded by operations of sale of foreign currency under repurchase agreement (note 8.1.b). Furthermore, the Bank may require supplementary collaterals represented by federal public securities. In the event of default of the borrower, the collaterals will be liquidated through public offer, not being prevented by extrajudicial liquidation or bankruptcy procedures.

The term of the operations collateralized by Global Bonds was six months, and the other operations had their terms limited to 360 days, including the term of the operations carried out under repurchase agreement (note 8.1.b). The settlement date of the loans may be anticipated on the Bank's request, in the event of decrease of the collaterals, or by the borrower's discretionary decision.

Regarding the fair value of the collaterals, the following should be noted:

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a) the Global Bonds and the federal public securities are measured at their fair value, in accordance with the methodology applied to the Bank's securities portfolio (note 3.4.5);

b) the collaterals represented by ACC and ACE contracts are valued at amortized cost, taking into consideration that: (i) there is no active market for these contracts; (ii) studies carried out at the Bank for assessing a pricing model for these assets demonstrated that the historical losses regarding these operations are immaterial.

The decrease in the balance of these operations occurred as a result of the maturing of part of the contracts and also as a result of anticipated amortizations by borrowers. Those are associated to the Brazilian economy's recovery in the aftermath of the international financial crisis (note 5).

12.2 In local currency

Dec 31, 2009

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

Dec 31, 2008

	Cost	Mark-to-market Adjustment	Carrying Amount
At Fair Value through profit or loss - Designated by management	**55,328,687**	**(28,445,515)**	**26,883,172**
Banco Nacional - Under extrajudicial liquidation	25,513,183	(11,935,140)	13,578,043
Banco Econômico - Under extrajudicial liquidation	24,122,735	(12,722,419)	11,400,316
Banco Mercantil - Under extrajudicial liquidation	2,114,001	(209,188)	1,904,813
Banco Banorte - Under extrajudicial liquidation	717,903	(717,903)	-
Banco Bamerindus - Under extrajudicial liquidation	2,860,865	(2,860,865)	-
Loans and Receivables	**3,027,062**	**-**	**3,027,062**
Loans related to rural credit	2,989,339		2,989,339
Other	37,723	-	37,723
Total	**58,355,749**	**(28,445,515)**	**29,910,234**

12.2.1 Fair Value – Designation by management

a) Characteristics and credit conditions

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

These receivables are adjusted based on the sole paragraph of Article 124 of Law 11.101/05 (Bankruptcy Law), in which the portion of the receivable balances attributable to the PROER loans are updated by the contractual rates up to the limits of the collaterals on the loans, and the remaining balances by the Referential Rate (TR), considering that the contractual rates arise from the collateral on the original credits.

The realization of these credits is subject to the legal and procedural conditions prescribed in the Liquidations Law (Law 6.024/74) and the Bankruptcy Law (Law 11.101/05). This legislation determines, among others:

- the suspension of the previously stated periods for the settlement of the obligations;

- that the payment of the liabilities shall be made in accordance with the priority of lien established by law, as follows (in order of most preferential to least preferential): expenses essential to the liquidation, wages claims, secured creditors, tax liabilities and unsecured creditors;

- the establishment of a general table of creditors in order to identity all of the creditors of the Institution, the effective values of their credits and their position in the order of preference to receive payments for these credits;

- the procedures necessary to realize the assets of the institution, for example, the form of sale (i.e. direct sale or auction, individual assets or groups of assets).

The amortizations since the legal dates of the respective extrajudicial liquidations were allocated against the receivables originated from the financial assistance provided to the institutions in the form of PROER loans. It is important to note that these amounts are subject to alteration due to the fact that the option legally granted to the debtors, allowing them, in the existence of more than a single debt balance with different characteristics, to opt to have the amortization recorded against the debt balance that is most convenient in the circumstances, was not observed. However, the amount recorded represents the best possible estimate at the time of the evaluation.

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

b) Classification and measurement

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

- they comprise a portfolio of assets with the same origin – arising from the Bank's role as supervisor of the National Financial System;

- for management and accounting purposes, since 1999, these assets have been evaluated based on their realizable values. This form of evaluation reflects the Bank's objectives when dealing with extrajudicial liquidation processes, which are to conclude the processes in the least possible period of time and expending the least amount of costs to the monetary authority, depositors and investors.

The fair value of these credits was measured based on the fair value of the corresponding collaterals, excluding amounts owed by the financial institutions to preferential creditors (i.e., expenses essential to the liquidations, wages and taxes).

12.2.2 Loans and Receivables

a) Loans related to rural credit

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

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

(Amounts are expressed in thousands of Reais) 25

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

b) Centrus

The balance of receivables from Centrus, on December 31, 2009, is a result of the changes promoted in the regulations of the organization's plan of benefits. The changes are related to the increase in the basic rate for pensions due to death from 50% to 60% granting the Bank a credit that is proportionate to the benefit granted.

13 GOLD

The Bank, as other central banks, maintains a certain amount of gold as part of Brazil's international reserves. International reserves form part of the monetary assets that are available for covering balance-of-payment deficits, and in some cases, to meet other financial needs of a country's monetary authority. Gold is considered a reserve asset because it is immediately available for use by the monetary authority on an unconditional basis, and thus, management understands that gold held by the Bank is a monetary asset.

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

As at December 31, 2009, the Bank's gold reserve amounted to 1.080.459,824 fine troy ounces (1.080.459,824 fine troy ounces as at December 31, 2007). Gold is classified as "available for sale" given the lack of a specific intent to trade it in the near-term. Gold is measured at its market price in US dollars, with price adjustments recorded in equity and the effects of exchange rate variation recorded in the Income Statement.

	Dec 31, 2009	Dec 31, 2008
Cost	533,545	716,154
Mark-to-market Adjustment	1,511,895	1,479,619
Carrying Amount	**2,045,440**	**2,195,773**

14 INVESTMENTS IN INTERNATIONAL FINANCIAL ORGANIZATIONS

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

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

	Dec 31, 2009	Dec 31, 2008
International Monetary Fund - IMF	8,255,505	10,980,390
Bank for International Settlements - BIS	67,647	89,974
Total	**8,323,152**	**11,070,364**

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

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

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15 PROPERTY, PLANT AND EQUIPMENT

Dec 31, 2009

	Precious Metals	Property	Equipment	Works of art and museum pieces	Total
Balance as at Dec 31,2008	**38,482**	**632,325**	**83,533**	**30,119**	**784,458**
Cost	38,750	684,492	225,657	30,119	979,017
Accumulated Depreciation	-	(52,167)	(142,124)	-	(194,291)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2009	**-**	**(7,521)**	**3,556**	**5**	**(3,960)**
Acquisitions/Constructions	-	2,584	31,971	5	34,560
Sales/Write-offs	-	-	(5,084)	-	(5,084)
Depreciation	-	(10,105)	(28,332)	-	(38,437)
Depreciation write-off	-	-	5,001	-	5,001
Balance as at Dec 31, 2009	**38,482**	**624,804**	**87,089**	**30,124**	**780,498**

Dec 31, 2008

	Precious Metals	Property	Equipment	Works of art and museum pieces	Total
Balance as at Dec 31,2007	**38,482**	**641,101**	**81,728**	**30,114**	**791,425**
Cost	38,750	683,163	209,045	30,114	961,072
Accumulated Depreciation	-	(42,062)	(127,317)	-	(169,379)
Provision for Losses	(268)	-	-	-	(268)
Changes during 2008	**-**	**(8,776)**	**1,805**	**5**	**(6,966)**
Acquisitions/Constructions	-	1,329	27,029	5	28,363
Sales/Write-offs	-	-	(10,417)	-	(10,417)
Depreciation	-	(10,105)	(24,351)	-	(34,456)
Depreciation write-off	-	-	9,544	-	9,544
Balance as at Dec 31, 2008	**38,482**	**632,325**	**83,533**	**30,119**	**784,459**

16 OTHER ASSETS

	Dec 31, 2009	Dec 31, 2008
In Foreign Currencies	**-**	**13**
In Local Currency	**3,454,603**	**2,562,512**
Actuarial surplus - Centrus (note 23.2)	3,371,447	2,483,386
Other	83,156	79,126
Total	**3,454,603**	**2,562,525**

17 ITEMS IN THE COURSE OF COLLECTION

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

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18 DEPOSITS OF FINANCIAL INSTITUTIONS

	Dec 31, 2009	Dec 31, 2008
In Foreign Currencies	**470**	**631**
In Local Currency	**97,077,510**	**90,035,395**
Demand Deposits	34,211,650	31,959,001
Savings Deposits	60,008,735	51,035,948
Other	2,857,125	7,040,446
TOTAL	**97,077,980**	**90,036,026**

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

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

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

a) on demand deposits – 42% of the average balance of demand deposits (excluded R$44,000), are kept in a interest-free account;

b) on savings deposits – 20% of savings account deposits (or 15% of rural savings account) must be maintained at the Bank in an interest-bearing account (TR plus 6.17% p.a. for free savings, retirement-earmarked savings and the rural savings categories and TR plus 3% p.a. for earmarked savings).

The change in the balance of Deposits of Financial Institutions is due to the increase in the investors' placement in savings deposits, which reflected in the amount of funds that the financial institutions held in reserve against those deposits.

19 PAYABLES

The balance recorded as payables comprises:

	Dec 31, 2009	Dec 31, 2008
In Foreign Currencies	**8,121,885**	**1,485,861**
SDR allocations	7,853,290	1,299,768
Other	268,595	186,093
In Local Currency	**1,211,601**	**1,157,348**
Court-ordered payment orders	1,037,606	1,019,290
Other	173,995	138,058
TOTAL	**9,333,486**	**2,643,209**

19.1 In foreign currencies

The SDR allocations are resources made available by the IMF to member countries, proportionally to their share of participation, without due date. On the use of these resources, there is interest (paid quarterly) calculated by the rates of SDR, disclosed by the Fund itself. The SDRs of these allocations compose the country's international reserves (note 6.1) and are subject to remuneration represented by the same rates applied to the liabilities.

The variation observed in the period in the balance of Payables denominated in foreign currencies is related to the IMF's SDR special allocation in the period, which occurred with the purpose of augmenting the reserves available to member countries coping with the financial crisis (note 5).

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19.2 In local currency

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

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

Under Article 29 of Law 11.768/2008, budgetary provisions passed by the annual budget law to cover payments of debts resulting from court decisions beyond appeal were decentralized to the individual court level. These courts apply for the funds and are responsible for making the corresponding payments directly to the prevailing party. As a result, budgetary and financial resources no longer flow through the Bank (the debtor entity). The existing balance at December 31, 2009 refers to court-ordered payment orders to be paid from 2010 onwards.

20 DEPOSITS RECEIVED FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	Dec 31, 2009	Dec 31, 2008
In Foreign Currencies	**6,725,871**	**11,219,310**
Inter-American Development Bank	100,583	135,755
International Bank for Reconstruction and Development	16,119	21,357
International Monetary Fund	6,608,180	10,979,925
Other	989	82,273
In Local Currency	**566**	**5,716**
Plata Basin Development Fund	566	5,716
TOTAL	**6,726,437**	**11,225,026**

The deposits received from the international financial organizations are mainly demand deposits that the IMF maintains in Brazil. They represent Brazil's interest in the Fund that was paid up in local currency. Other international financial organizations maintain deposit accounts at the Bank in order to pay their administrative expenses in Brazil.

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

The change in the balance of the International Monetary Fund's deposits refers to the remittance of resources to the IMF due to the country's inclusion in the Financial Transactions Plan (FTP), and to the appreciation of the Brazilian Real in relation to the SDR.

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21 FINANCIAL INSTRUMENTS – BY CATEGORY

21.1 In foreign currencies

	Dec 31, 2009		Dec 31, 2008	
	Carrying amount	Mark-to-market	Carrying amount	Mark-to-market
Financial Assets	**429,635,304**	**429,635,304**	**512,512,891**	**512,512,891**
Loans and receivables	30,800,385	30,800,385	42,028,411	42,028,411
Available-for-sale	10,368,592	10,368,592	13,266,137	13,266,137
Fair value through profit or loss - Held for Trading	388,466,327	388,466,327	457,218,343	457,218,343
Financial Liabilities	**21,352,204**	**21,352,204**	**29,842,296**	**29,842,296**
Other liabilities	21,289,149	21,289,149	29,739,734	29,739,734
Fair value through profit or loss - Held for Trading	63,055	63,055	102,562	102,562

21.2 In local currency

	Dec 31, 2009		Dec 31, 2008	
	Carrying amount	Mark-to-market	Carrying amount	Mark-to-market
Financial Assets	**723,756,801**	**727,359,998**	**531,259,562**	**527,616,337**
Held-to-maturity	507,763,045	511,366,242	365,198,927	361,555,703
Loans and receivables	55,235,022	55,235,022	6,088,939	6,088,939
Available-for-sale	132,452,873	132,452,873	131,542,139	131,542,139
Fair value through profit or loss - Held for Trading	-	-	1,546,385	1,546,385
Fair value through profit or loss - Designated by management	28,305,861	28,305,861	26,883,172	26,883,172
Financial Liabilities	**967,077,685**	**967,077,685**	**875,029,062**	**875,029,062**
Other liabilities	967,077,685	967,077,685	874,400,512	874,400,512
Fair value through profit or loss - Held for Trading	-	-	628,550	628,550

Excluding the transactions with securities in local currency (note 10.2), the fair value of the transactions measured by the amortized cost presents no significant differences of their market value, because these are on demand or short-term operations. The explanatory notes 33 to 37 show the Bank risk policy for the management of financial assets and liabilities.

22 FAIR VALUE HIERARCCHY

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

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

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

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

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

	Phase 1	Phase 2	Phase 3	Total
Assets in Foreign Currencies	**398,834,919**	**-**	**-**	**398,834,919**
Time Deposits - Outsourced administration	2,491,484	-	-	2,491,484
Derivatives	68,364	-	-	68,364
Debt Securities	385,906,479	-	-	385,906,479
Gold	2,045,440	-	-	2,045,440
Investment in International Financial Organizations	8,323,152	-	-	8,323,152
Assets in Local Currency	**132,452,873**	**-**	**28,305,861**	**160,758,734**
Debt Securities Issued by the Federal Government - LTN	132,452,873	-	-	132,452,873
Credits Receivable - Institutions under Extrajudicial Liquidation	-	-	28,305,861	28,305,861
Liabilities in Foreign Currencies	**63,055**	**-**	**-**	**63,055**
Derivatives	63,055	-	-	63,055

The fair value of the item "receivables from financial institutions under extrajudicial liquidation" (note 12.2) is a Level 3 fair value on grounds that the methodology for its measurement considers the fair value of the collaterals, as follows:

- LFT – the fair value is based on market prices;
- NTN-A3 – the fair value is obtained using the discounting rates implied in trades of similar financial instruments (Global Bonds);
- FCVS/CVS – the fair value is obtained using the discounting rates implied in trades of similar financial instruments (CVS-A), atypical trades excluded.

The use of discount rates obtained with alternative methodologies, also considered appropriate for the measurement of fair value of the collaterals represented by FCVS and CVS, would cause a positive impact in the resulting value of R$559,058 using TR in a long-term scenario. The use of BM&F Bovespa's swap interest rates for the three first years coupled with TR in a long-term scenario would bring about a positive impact of R$417,345.

The movement in the balances of the item "receivables from financial institutions under extrajudicial liquidation", during 2009, is exclusively a result of the fair value adjustments of the credit. The adjustments were recognized in the Income Statement of the period.

23 PROVISIONS

	Dec 31, 2009	Dec 31, 2008
Legal claims	2,727,709	2,831,278
Actuarial liabilities	14,478,773	9,571,503
TOTAL	**17,206,482**	**12,402,781**

23.1 Provisions for Legal Claims

As at December 31, 2009, the Bank was party to 20.889 lawsuits (3.596 as the plaintiff, 17.290 as the defendant e 3 as an interested party) referring to various subjects, among which are economic plans, employment relationships, privatization procedures and liquidation procedures of financial institutions. As at December 31, 2008 there were 22.751 lawsuits in total, being 3.687 as plaintiff and 19.061 as defendant and 3 others as an interested party.

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

(Amounts are expressed in thousands of Reais) 31

A provision is recorded whenever the probability that the loss event will occur is classified as probable (i.e. whenever the probability of loss is considered more than 50%). The amount provided for consists of 100% of the value under judgment as well as estimated attorney fees to be born by the loser of the judicial dispute. During 2009, the Bank recognized provisions in relation to 1.694 lawsuits (1.802 in 2008). The changes in the provision during the period are presented in the following table:

	2009	2008
Initial balance	**2,831,278**	**2,100,178**
Changes	**(103,569)**	**731,100**
Constitution	2,978,029	1,276,586
Reversion	(3,058,988)	(522,209)
Transfer to Court-ordered Payment Orders	(22,610)	(23,277)
Final balance	**2,727,709**	**2,831,278**

From 2003 onwards, the balances referring to lawsuits have been adjusted by the Selic rate.

The lawsuits in which the Bank considered the possibility of loss to be less than probable and more than remote were considered contingent liabilities and, thus, were not provided for. On December 31, 2009, there were 9.298 lawsuits (10.871 in 2008) considered contingent liabilities, amounting to R$286,947,109 (R$285,004,277 in 2008).

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

	Dec 31, 2009	Dec 31, 2008
2009	-	365,942
2010	1,869,472	1,680,651
2011	229,081	215,204
2012	89,090	82,828
2013	19,533	8,329
2014	33,582	22,156
2015	462,235	438,126
2016	7,172	7,124
2017	4,736	4,113
2018	4,884	4,672
2019	2,852	2,133
2020	1,939	-
2021	3,133	-
Total	**2,727,709**	**2,831,278**

The Bank in conformity with judicial procedures places deposits in financial institutions in connection with legal lawsuits in progress (note 7.2). These deposits may be used in one of the following situations:

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

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

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

(Amounts are expressed in thousands of Reais) 32

23.2 Provisions for actuarial liabilities

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

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

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

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

The RJU Plan is a defined benefit plan whose purpose is to provide the payment of retirements and pensions in accordance with the Federal Constitution and Law 8.112.

The Bank and its civil servants contribute directly to the Federal Government to guarantee this benefit for the civil servants. However, there is no vinculum between these contributions and the receiving of the benefits. Thus, in view of current law, this plan is funded with the Bank's resources. The assets of the plan are administered Centrus and any remaining actuarial liability is recognized as a provision.

c) Health-care benefits – Faspe

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

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

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

d) Actuarial calculations

Provision Calculation	Dec 31, 2009			Dec 31, 2008		
	Centrus	RJU	Faspe	Centrus	RJU	Faspe
Present value of the actuarial obligation for funded plans	2,408,173	14,475,619	710,841	2,407,480	10,074,730	509,109
(-) Fair value of the plan's assets	(5,779,620)	(630,867)	(76,821)	(4,890,866)	(942,364)	(69,972)
Net actuarial liabilities (assets)	(3,371,447)	13,844,752	634,020	(2,483,386)	9,132,366	439,137
Actuarial liabilities (assets) recognized in the balance sheet	(3,371,447)	13,844,752	634,020	(2,483,386)	9,132,366	439,137

The variation between the two periods is basically due to the following:

a) Centrus – revision of indices, mainly reduction of discount rates, and an increase in benefits and pensions in the period;

b) RJU – salaries adjustments and revision of indices, mainly reduction in discount rates; and

c) Faspe – reduction of discount rates and an increase of medical costs.

(Amounts are expressed in thousands of Reais) 33

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

	Dec 31, 2009			Dec 31, 2008		
Present Value of the obligations - reconciliation	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Present value of the actuarial obligation at the beginning of the period	2,407,480	10,074,730	509,109	2,836,096	9,394,601	630,064
(+) Service cost for current period	-	140,217	23,585	-	171,868	31,503
(+) Interest cost	325,095	1,288,839	59,926	319,302	1,009,160	63,416
(-) Benefits paid in the period	(270,382)	(712,257)	(126,255)	(255,623)	(610,909)	(111,639)
(+) Participants' contributions	-	-	62,273	1,079	-	55,145
(+) Actuarial losses	(54,020)	3,684,090	182,203	(493,374)	110,010	(159,380)
(=) Present value of the actuarial obligations at the end of the period	2,408,173	14,475,619	710,841	2,407,480	10,074,730	509,109

	Dec 31, 2009			Dec 31, 2008		
Plan assets - reconciliation	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Fair value of plan assets at the beginning of the period	4,890,866	942,364	69,972	5,929,965	1,784,227	66,112
(-) Paid benefits	(270,381)	(563,111)	(126,255)	(255,623)	(610,909)	(111,639)
(+) Participants' contributions	-	-	62,273	1,079	-	55,145
(+) Sponsor's contributions	-	-	62,273	1,079	-	55,145
(+) Expected return of plan assets	791,891	118,013	6,401	923,217	242,966	5,079
(+) Actuarial gains	367,244	133,601	2,157	(1,708,851)	(473,920)	130
Fair value of plan assets at the end of the period	5,779,620	630,867	76,821	4,890,866	942,364	69,972

The difference between the amounts shown in the tables “Present Value of the Obligations – Reconciliation” and “Plan Assets – Reconciliation” is explained by the fact that these benefits were partially expensed from a different source of funds, in conformity with the precepts of the Federal General Budget.

Plan assets -	Dec 31, 2009			Dec 31, 2008		
percentage	**RJU**	**Centrus**	**Faspe**	**RJU**	**Centrus**	**Faspe**
Stocks	34.5%	34.5%	-	31.7%	31.7%	-
Debt securities issued by the Federal Government	55.6%	55.6%	71.7%	59.7%	59.7%	57.1%
Property	4.4%	4.4%	-	3.2%	3.2%	-
Other	5.5%	5.5%	28.3%	5.4%	5.4%	42.9%

Income and expenses recognized	Dec 31, 2009			Dec 31, 2008		
in the Income Statement	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Other Expenses						
Service cost of the current period	-	140,217	23,585	-	171,868	31,503
Interest Income						
Expected return of the plan assets	791,891	118,013	6,401	923,217	242,966	5,079
Interest Expense						
Interest cost	325,095	1,288,839	59,926	319,302	1,009,160	63,416

	Dec 31, 2009			Dec 31, 2008		
Actuarial Gains (Losses) Recognized Directly in Equity	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Opening balance	**(470,236)**	**(2,040,419)**	**68,771**	**745,240**	**(1,456,489)**	**(90,739)**
Recognition	421,264	(3,550,489)	(180,046)	(1,215,476)	(583,930)	159,510
Closing balance	**(48,972)**	**(5,590,908)**	**(111,275)**	**(470,236)**	**(2,040,419)**	**68,771**

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	Dec 31, 2009			Dec 31, 2008		
Actuarial Premissess	**Centrus**	**RJU**	**Faspe**	**Centrus**	**RJU**	**Faspe**
Financial						
Discount rate	11.20%	11.33%	11.33%	13.99%	13.09%	13.09%
Expected return from plan assets	12.36%	12.36%	6.29%	16.47%	16.47%	9.29%
Inflation rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Rate of contribution for retired employees	-	-	1 a 3%	-	-	1 a 3%
Rate of contribution for plan sponsor	-	-	até 3%	-	-	até 3%
Salary growth expectation	-	6.75%	-	-	6.75%	-
Medical costs trend rate	-	-	12.40%	-	-	14.08%
Non-Financial						
Number of active employees	-	4,741	4,522	-	4,974	4,794
Number of retired employees	905	3,613	4,407	941	3,343	4,208
Number of pensioners	627	289	857	616	264	825
Average of past service (years)	-	20	-	-	22	-
Average expected future service (years)	-	12	-	-	13	-
Average age of active employees	-	48	48	-	48	48
Average age of retired employees	78	61	67	77	61	66
Average age of pensioners	81	61	-	80	60	-
General mortality table	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000	AT 2000
Disabled employees mortality table	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC	EX IAPC
Disability retirement table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

e) Other information

- the expected yield of the assets of the plans was calculated based on a macroeconomic scenario for the year, as well as the cash flow provided for each type of asset;
- the growth rate of medical costs was calculated based on historical growth of the plan's medical costs in the last four years;
- a change of (+/-) 1% in the medical costs would impact the Faspe Fund as following:

	+1%	-1%
Service and interest costs	20,641	(16,458)
Obligation	126,369	(100,761)

- estimates for 2009:

	Centrus	RJU	Faspe
Contributions	-	-	63,973
Benefits	276,356	1,208,050	144,413

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– historical information:

	2009	2008	2007
Centrus			
Present value of the obligations	2,408,173	2,407,480	2,836,096
Fair value of the assets	5,779,620	4,890,866	5,929,965
Plan deficit	(3,371,447)	(2,483,386)	(3,093,869)
Experience adjustment arising on the plan liabilities	(298,363)	(115,841)	(111,725)
Experience adjustment arising on the plan assets	(367,243)	1,708,851	(723,885)
RJU			
Present value of the obligations	14,475,619	10,074,730	9,394,601
Fair value of the assets	630,867	942,364	1,784,227
Plan deficit	13,844,752	9,132,366	7,610,374
Experience adjustment arising on the plan liabilities	1,325,832	2,627,683	(552,159)
Experience adjustment arising on the plan assets	(133,600)	473,920	(328,489)
Faspe			
Present value of the obligations	710,841	509,109	630,064
Fair value of the assets	76,821	69,972	66,112
Plan deficit	634,020	439,137	563,952
Experience adjustment arising on the plan liabilities	(15,687)	28,152	(105,736)
Experience adjustment arising on the plan assets	(2,156)	(130)	(500)

24 CURRENCY IN CIRCULATION

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

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

(Amounts are expressed in thousands of Reais) 36

	Dec 31, 2009		Dec 31, 2008	
	Quantity	**Value R$ 1,000**	**Quantity**	**Value R$ 1,000**
Banknotes	**4,433,334,598**	**128,484,521**	**4,154,428,371**	**112,722,454**
R$1.00	162,268,689	162,269	193,800,070	193,800
R$2.00	721,009,780	1,442,019	672,256,582	1,344,513
R$5.00	414,598,515	2,072,992	389,452,072	1,947,260
R$10.00	696,472,142	6,964,721	720,859,956	7,208,600
R$20.00	624,050,486	12,481,010	556,457,334	11,129,147
R$50.00	1,522,639,780	76,131,989	1,425,222,024	71,261,101
R$100.00	292,295,206	29,229,521	196,380,333	19,638,033
Coins	**15,593,641,161**	**3,375,828**	**14,161,284,023**	**2,867,425**
R$0.01	3,190,750,804	31,907	3,190,593,451	31,906
R$0.05	3,597,132,933	179,857	3,229,277,764	161,464
R$0.10	4,017,570,819	401,757	3,654,267,563	365,427
R$0.25	1,678,655,461	419,664	1,498,058,210	374,515
R$0.50	1,533,777,254	766,889	1,309,949,160	654,975
R$1.00	1,575,753,890	1,575,754	1,279,137,875	1,279,138
Commemorative Coins	**-**	**836**	**-**	**825**
TOTAL		**131,861,185**		**115,590,704**

The currency in circulation raised 14.1% in 2009 when compared with 2008 figures. This rise is mainly associated with the growth of the nominal Gross Domestic Product – GDP and the impact on the economy originated by the minimum wage adjustment in view of the profile of the employees, which were the beneficiaries of the raise.

25 EQUITY

25.1 Capital

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

a) initial capital in the amount of R$14,526, representing the capital transferred to the Bank at the moment of its constitution;

b) earnings retained by the Bank up to 1987, and incorporated to its capital, amounting to R$2,561,830;

c) capital increases due to the incorporation of securities issued by the Brazilian Federal Government aiming to rebuild the securities portfolio which total R$22,099,095 (R$11,603,023 in the present financial period) (note 10.2).

25.2 Reserves

The reserves consist of:

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

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

25.3 Gains (losses) recognized directly in equity

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

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	Dec 31, 2009	Dec 31, 2008
Debt Securities Issued by the Federal Government		
Opening balance	2,938,952	1,200,128
Mark-to-market adjustments	253,197	2,158,437
Write-off	(375,484)	(419,613)
Closing balance	2,816,665	2,938,952
Gold		
Opening balance	1,422,579	1,304,256
Mark-to-market adjustments	453,073	119,294
Realization	-	(971)
Closing balance	1,875,652	1,422,579
Investments in International Financial Organizations		
Opening balance	(2,843,208)	(5,357,128)
Mark-to-market adjustments	(2,747,213)	2,513,920
Closing balance	(5,590,421)	(2,843,208)
Actuarial gains (losses)		
Opening balance	(2,441,884)	(801,988)
Actuarial gains (losses) in period	(3,309,272)	(1,639,896)
Closing balance	(5,751,156)	(2,441,884)
TOTAL	**(6,649,260)**	**(923,561)**

The variation observed in Gains (Losses) Recognized Directly in Equity occurred, mainly, because of the actuarial loss recognized in the period (note 23.2), as well as due to the appreciation of the Real in relation to the SDR (note 3.3).

26 NET INTEREST INCOME

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

(Amounts are expressed in thousands of Reais) 38

	2009	2008
Interest income	**58,027,077**	**53,581,194**
Foreign Currency Operations	**411,728**	**625,594**
Cash and Cash Equivalents	24,094	114,813
Deposits	15,761	41,791
Committment under agreements	11,939	416,163
Loans	356,716	40,548
Other	3,218	12,279
Local Currency Operations	**57,615,349**	**52,955,600**
Debt Securities	53,173,257	48,014,060
Other	4,442,092	4,941,540
Interest expenses	**(84,464,030)**	**(74,007,152)**
Foreign Currency Operations	**(477,015)**	**(693,173)**
Committment under agreements	(464,905)	(661,083)
Loans	(10,742)	(27,137)
Other	(1,368)	(4,953)
Local Currency Operations	**(83,987,015)**	**(73,313,979)**
Deposits Received from Financial Institutions	(3,650,439)	(9,884,935)
Committment under agreements	(42,183,256)	(33,574,084)
Federal Government	(36,436,945)	(28,398,135)
Other	(1,716,375)	(1,456,825)
Net interest income	**(26,436,953)**	**(20,425,958)**

The significant variation in the interest income is due to:

a) the increase of interest income of local currency securities transactions, due to the increase of the Federal Government Debt Securities portfolio (note 10.2);

b) decrease in the interest expenses with deposits of financial institutions because of the changes addressing the form of collection of the additional compulsory deposits – from collection of values in cash to securities in custody in the Selic System – and also because of the decrease in the average balance of these deposits collected by the Bank in the period.

c) the growth of interest expenses in local currency operations caused by the increase in operations carried out with commitment under agreement, which are used by the Bank to manage liquidity (note 8.2).

d) the growth of interest expenses related to operations with the Federal Government due to the increase in the average balance of the National Treasury operating account of the period (note 38.1).

27 GAINS (LOSSES) ON FINANCIAL ASSETS CLASSIFIED AS “AT FAIR VALUE THROUGH PROFIT OR LOSS” – HELD FOR TRADING

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

(Amounts are expressed in thousands of Reais) 39

	2009	2008
Foreign Currency Operations	**(113,878,945)**	**153,773,804**
Debt securities	(112,690,794)	152,832,644
Other	(1,188,151)	941,160
Local Currency Operations	**149,999,969**	**(121,289,621)**
Derivatives	149,999,977	(121,289,632)
Other	(8)	11
Total	**36,121,024**	**32,484,183**

This variation is due, mainly, to the effects of the appreciation of the Brazilian Real in relation to the main foreign currencies (note 3.3) in the period, which led to the depreciation of assets in foreign currency, especially securities, and to the recognition of a positive result in local currency, motivated by the foreign exchange equalization operation with the National Treasury (note 9.2.b).

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

This item includes the interest accrual and the mark-to-market adjustments of the receivables from financial institutions under extrajudicial liquidation (note 12.2).

29 GAINS (LOSSES) FROM FOREIGN EXCHANGE

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

	2009	2008
Gains (losses) from foreign exchange		
Cash and Cash Equivalents	(3,879,760)	3,612,664
Time Deposits	(671,991)	21,233
Committment under agreements	(1,295,710)	1,056,091
Credits Receivable	(3,549,137)	(100,502)
Items in the course of collection	1,669,515	(2,553,495)
Liabilities to International Financial Organizations	2,642,581	(2,529,196)
Other	218,560	71,506
Total	**(4,865,942)**	**(421,699)**

The variation observed in the period is due to the appreciation of the Real in relation to the main foreign currencies (note 3.3) and the increase in the average balance of the transactions in the period.

(Amounts are expressed in thousands of Reais) 40

30 OTHER INCOME AND EXPENSES

	2009	2008
Other Income	2,035,058	1,957,050
Fines	116,149	73,650
Transfer under the Budget Law by the National Treasury	1,179,531	1,042,519
Court-ordered payment orders	45,935	56,550
Provision for legal claims	274,301	537,684
Fees	157,323	146,611
Other	261,819	100,036
Other Expenses	(2,667,072)	(3,363,234)
Personnel	(1,355,171)	(1,250,285)
Cost of production and distribution of currency	(859,062)	(571,046)
Provision for legal claims (note 22.1)	(193,342)	(1,278,120)
Depreciation	(38,437)	(34,861)
Other administrative expenses	(190,158)	(196,394)
Other	(30,902)	(32,528)

31 NET INCOME

31.1 Profit and loss of the period

The result of the period was positive in R$5,609,044 (a net income of R$13,345,393 in 2008) and it results, mainly, from profitability of the Federal Public Securities that the Bank kept in its portfolio. The variation in relation to the result obtained in 2008 is especially due to the increase in expenses with interest in greater proportion than the increase in income of the same nature (note 26), as shown below:

	2009	2008
International Reserves Operations and Swaps	-	-
Profitability of the International Reserves	(119,637,051)	155,681,147
Foreign Exchange Derivatives – Swaps in Local Currency	2,281,085	5,328,124
Foreign Exchange Equalization of Reserves and Derivatives	117,355,966	(161,009,271)
Other Operations in Foreign Currencies	**826,878**	**(2,395,651)**
Local Currency Operations	**5,414,189**	**17,147,217**
Interest	(26,371,667)	(20,358,379)
Mark-to-Market - Financial Institutions under Extra-Judicial Liquidation	1,422,929	3,114,081
Foreign Exchange Equalization of Reserves and Derivatives (Cost of Funding)	30,362,927	34,391,515
Other Operations in Local Currencies	**(632,023)**	**(1,406,173)**
Net income (loss)	**5,609,044**	**13,345,393**

According to the legislation in effect, the result of the first semester (R$941,601) was covered by the National Treasury in December 2009 and the positive result of the second semester (R$6,550,645) will be transferred not later than the tenth business day subsequent to the approval of these financial statements (note1).

31.2 Comprehensive income

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

(Amounts are expressed in thousands of Reais) 41

So as to render the result an extended level of transparency, the Statement of Comprehensive Income contain information about gains and losses recognized directly into equity, whose items are part of note 25.3.

32 CASH AND CASH EQUIVALENTS

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

	Dec 31, 2009	Dec 31, 2008
Cash	**39,670**	**207,256**
Demand Deposits	**8,325,896**	**392,951**
Uncommitted deposits	7,998,128	366,147
Foreign currencies to be received	327,768	26,804
Short-term deposits	**5,499,005**	**4,698,663**
Total Cash and Cash Equivalents (note 6.1)	**13,864,571**	**5,298,870**

33 RISK MANAGEMENT

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

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

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

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

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

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

Composed mainly of operations with federal government debt securities and swaps, the portfolio of securities issued by the National Treasury is managed primarily in order to fulfill the objectives of the monetary and foreign exchange policies, usually by means of open market operations. In relation to the exchange rate swaps (note 9.2.a) the Bank's target is to enhance the hedging capability of the economic agents and to correct possible distortions in the foreign exchange coupon curve.

Notes 33 to 37 show the main risks to which both portfolios of financial instruments are exposed as well as the Bank's policy for the management of those risks.

34 CREDIT RISK

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

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

The Board of Directors defines limits for allocation of resources in fixed-term deposit placements with financial institutions. There are limits both for counterparties and for the portfolio as a whole, which consider the amount of resources that may be placed in each institution and the minimum admissible ratings. Besides that, the limits for the portfolio as a whole (expected default and unexpected default) are set up as maximum values of percentage of default deviations of the actual portfolio in relation to a benchmark portfolio. An in-house developed credit risk model for the calculation of the expected and unexpected defaults imposes diversification between institutions and geographic areas. The minimum-rating requirement for qualification of long-term placements is an “A” by Moody’s and for short-term placements a P-1 minimum by Moody’s.

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With respect to securities, the Bank trades sovereign debt securities, requiring issuers to have a minimum “A3” rating by Moody’s, and securities issued by government and supranational agencies, requiring issuers to have a minimum “Aaa” rating. For the securities portfolio other limitations are prescribed as follows: (i) a minimum of 65% of the whole portfolio must be invested in sovereign debt securities; (ii) a maximum of 25% of the whole portfolio may be allocated in governmental agency debt securities; and (iii) a maximum of 25% of the whole portfolio may be allocated in supranational and multilateral organizations and also in issues by the Bank for International Settlements (BIS).

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

Relevant to say that, in face of the instability caused by the crisis in the international financial market since 2007, with the resulting lack of liquidity and the significant increase in the credit risk of financial institutions, the Bank carried out several temporary and prudential measures in the application of international reserves so as to reduce the exposure to credit risk in bank market, including a reduction in the volume of transactions with deposits (note 7.1).

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

The Bank’s securities portfolio is composed exclusively of securities issued by the federal government (note 10.2), considered risk-free instruments, which are used, mainly, for the carrying out of repo and reverse repo transactions (note 8.2)

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

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

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

	Dec 31, 2009	Dec 31, 2008
Brazil	725,820,935	566,490,193
European Union	82,797,249	79,021,861
United States of America	318,933,056	343,747,395
Others	25,840,865	54,513,003
Total	**1,153,392,105**	**1,043,772,452**

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

Dec 31, 2009

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

Dec 31, 2008

	Financial Institutions	International Financial Organizations	Government Institutions	Other	Total
Cash and Cash Equivalents	4,918,898	1,965,342	797,290	-	7,681,530
In foreign currencies	2,536,238	1,965,342	797,290	-	5,298,870
In local currency	2,382,660	-	-	-	2,382,660
Deposits	4,319,195	791,625	-	-	5,110,820
In foreign currencies	3,711,260	791,625	-	-	4,502,885
In local currency	607,935	-	-	-	607,935
Financial Assets Purchased Under Resell Agreement	25,283,568	-	-	-	25,283,568
In foreign currencies	25,239,270	-	-	-	25,239,270
In local currency	44,298	-	-	-	44,298
Derivatives	1,577,656	-	-	-	1,577,656
In foreign currencies	31,271	-	-	-	31,271
In local currency	1,546,385	-	-	-	1,546,385
Debt securities	-	59,357,315	890,570,724	-	949,928,039
In foreign currencies	-	59,357,315	393,829,658	-	453,186,973
In local currency	-	-	496,741,066	-	496,741,066
Receivables from the Federal Government	-	-	14	-	14
Credits Receivable	13,976,811	-	-	26,920,895	40,897,706
In foreign currencies	10,987,472	-	-	-	10,987,472
In local currency	2,989,339	-	-	26,920,895	29,910,234
Investments in International Financial Organizations	-	11,070,364	-	-	11,070,364
Other	1,305,369	-	890,417	26,969	2,222,755
In foreign currencies	1,305,369	-	890,417	-	2,195,786
In local currency	-	-	-	26,969	26,969
Total Assets	**51,381,497**	**73,184,646**	**892,258,445**	**26,947,864**	**1,043,772,452**

(Amounts are expressed in thousands of Reais) 44

35 MARKET RISK

Market risk is the risk resulting from variations occurring in market factors, such as interest rates and foreign exchange rates.

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

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

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

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

35.1 Interest rate risk

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

	Dec 31 2009		Dec 31 2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Fixed-rate	651,637,577	384,211,820	696,645,218	319,710,983
Variable rate	490,334,082	559,699,214	328,005,542	532,150,693
Interest free	11,420,446	44,518,855	19,121,692	53,009,682
Total	**1,153,392,105**	**988,429,889**	**1,043,772,452**	**904,871,358**

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

(Amounts are expressed in thousands of Reais) 45

Dec 31, 2009

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

(Amounts are expressed in thousands of Reais) 46

Dec 31, 2008

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Interest free	Total
Assets							
Cash and Cash Equivalents	4,386,290	-	-	-	-	3,295,240	7,681,530
In foreign currencies	4,386,290	-	-	-	-	912,580	5,298,870
In local currency	-	-	-	-	-	2,382,660	2,382,660
Deposits	4,958,941	-	-	-	-	151,879	5,110,820
In foreign currencies	4,351,006	-	-	-	-	151,879	4,502,885
In local currency	607,935	-	-	-	-	-	607,935
Financial Assets Purchased Under Resell Agreement	14,879,366	10,404,202	-	-	-	-	25,283,568
In foreign currencies	14,835,068	10,404,202	-	-	-	-	25,239,270
In local currency	44,298	-	-	-	-	-	44,298
Derivatives	-	-	-	-	-	1,577,656	1,577,656
In foreign currencies	-	-	-	-	-	31,271	31,271
In local currency	-	-	-	-	-	1,546,385	1,546,385
Debt securities	331,773,382	13,055,805	39,379,501	466,615,089	99,104,262	-	949,928,039
In foreign currencies	265,982	1,416,784	7,834,801	364,381,423	79,287,983	-	453,186,973
In local currency	331,507,400	11,639,021	31,544,700	102,233,666	19,816,279	-	496,741,066
Receivables from the Federal Government	-	-	-	-	-	14	14
Credits Receivable	29,106,450	5,549,053	5,438,419	-	-	803,784	40,897,706
In foreign currencies	-	5,549,053	5,438,419	-	-	-	10,987,472
In local currency	29,106,450	-	-	-	-	803,784	29,910,234
Investments in International Financial Organizations	-	-	-	-	-	11,070,364	11,070,364
Other	-	-	-	-	-	2,222,755	2,222,755
In foreign currencies	-	-	-	-	-	2,195,786	2,195,786
In local currency	-	-	-	-	-	26,969	26,969
Total Assets (A)	**385,104,429**	**29,009,060**	**44,817,920**	**466,615,089**	**99,104,262**	**19,121,692**	**1,043,772,452**
Liabilities							
Items in the Course of Collection	-	-	-	-	-	2,871,397	2,871,397
In foreign currencies	-	-	-	-	-	2,871,375	2,871,375
In local currency	-	-	-	-	-	22	22
Deposits Received from Financial Institutions	52,032,184	-	-	-	631	38,003,211	90,036,026
In foreign currencies	-	-	-	-	631	-	631
In local currency	52,032,184	-	-	-	-	38,003,211	90,035,395
Financial Assets Sold Under Repurchase Agreement	330,218,851	22,993,467	6,685,008	-	-	-	359,897,326
In foreign currencies	13,919,806	241,763	-	-	-	-	14,161,569
In local currency	316,299,045	22,751,704	6,685,008	-	-	-	345,735,757
Derivatives	-	-	-	-	-	731,112	731,112
In foreign currencies	-	-	-	-	-	102,562	102,562
Em moeda local	-	-	-	-	-	628,550	628,550
Payables to the Federal Government	437,426,384	-	-	-	-	-	437,426,384
Accounts Payable	1,173,564	5,642	14,804	12,235	1,298,906	138,058	2,643,209
In foreign currencies	154,274	5,642	14,804	12,235	1,298,906	-	1,485,861
In local currency	1,019,290	-	-	-	-	138,058	1,157,348
Deposits Received from International Financial Organizations	-	-	-	-	-	11,225,026	11,225,026
In foreign currencies	-	-	-	-	-	11,219,310	11,219,310
In local currency	-	-	-	-	-	5,716	5,716
Other	-	-	-	-	-	40,878	40,878
In foreign currencies	-	-	-	-	-	988	988
In local currency	-	-	-	-	-	39,890	39,890
Total Liabilities (B)	**820,850,983**	**22,999,109**	**6,699,812**	**12,235**	**1,299,537**	**53,009,682**	**904,871,358**
Net Position (A - B)	**(435,746,554)**	**6,009,951**	**38,118,108**	**466,602,854**	**97,804,725**	**(33,887,990)**	**138,901,094**

35.2 Exchange rate risk

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

On December 31, 2009, the distribution of assets and liabilities by currency was the following:

(Amounts are expressed in thousands of Reais) 47

Dec 31, 2009

	US$	Euro	SDR	Other	Total
Assets					
Cash and Cash Equivalents	5,043,657	582,099	7,854,580	384,235	13,864,571
Time Deposits Placed with Financial Institutions	9,890,339	1,253,377	-	1,283,013	12,426,729
Financial Assets Purchased Under Resell Agreement	5,760,045	69,260	-	219,425	6,048,730
Derivatives	59,199	9,165	-	-	68,364
Debt Securities in Foreign Currencies	318,739,629	26,183,560	-	40,983,290	385,906,479
Credits Receivable	951,839	-	-	-	951,839
Investments in International Financial Organizations	-	-	8,323,152	-	8,323,152
Other	2,045,440	-	-	-	2,045,440
Total Assets (A)	**342,490,148**	**28,097,461**	**16,177,732**	**42,869,963**	**429,635,304**
Liabilities					
Items in the Course of Collection	45,661	302,925	-	43,105	391,691
Deposits Received from Financial Institutions	470	-	-	-	470
Financial Assets Sold Under Repurchase Agreement	5,940,558	50,132	-	57,758	6,048,448
Derivatives	59,220	3,835	-	-	63,055
Accounts Payable	268,594	-	7,853,291	-	8,121,885
Deposits Received from International Financial Organizations	116,701	-	6,608,180	990	6,725,871
Other	784	-	-	-	784
Total Liabilities (B)	**6,431,988**	**356,892**	**14,461,471**	**101,853**	**21,352,204**
Net position (A - B)	**336,058,160**	**27,740,569**	**1,716,261**	**42,768,110**	**408,283,100**

Dec 31, 2008

	US$	Euro	SDR	Other	Total
Assets					
Cash and Cash Equivalents	4,439,745	632,936	2,598	223,591	5,298,870
Time Deposits Placed with Financial Institutions	4,502,885	-	-	-	4,502,885
Financial Assets Purchased Under Resell Agreement	25,182,786	56,484	-	-	25,239,270
Derivatives	16,442	-	-	14,829	31,271
Debt Securities in Foreign Currencies	405,494,855	43,018,143	-	4,673,975	453,186,973
Credits Receivable	10,987,472	-	-	-	10,987,472
Investments in International Financial Organizations	-	-	11,070,364	-	11,070,364
Other	2,195,773	13	-	-	2,195,786
Total Assets (A)	**452,819,958**	**43,707,576**	**11,072,962**	**4,912,395**	**512,512,891**
Liabilities					
Items in the Course of Collection	2,528,201	248,944	-	94,230	2,871,375
Deposits Received from Financial Institutions	631	-	-	-	631
Financial Assets Sold Under Repurchase Agreement	14,005,581	19,423	-	136,565	14,161,569
Derivatives	87,095	15,467	-	-	102,562
Accounts Payable	186,093	-	1,299,768	-	1,485,861
Deposits Received from International Financial Organizations	157,112	-	10,979,925	82,273	11,219,310
Other	983	5	-	-	988
Total Liabilities (B)	**16,965,696**	**283,839**	**12,279,693**	**313,068**	**29,842,296**
Derivatives - Short position (C)	163,613,193	23,987		205,972	163,843,152
Derivatives - Long position (D)	136,372,264	12,577,300		2,209,274	151,158,838
Net position (A - B + C - D)	**463,095,191**	**30,870,424**	**(1,206,731)**	**2,596,025**	**495,354,909**

35.3 Foreign exchange equalization

The foreign exchange equalization operation was established by Law 11.803/2008, having as main objectives to give greater transparency to the results of operations of the monetary authority and to reduce the volatility of the Bank results, generated by the growing currency mismatch between assets and liabilities. This volatility affects the analysis of the result of monetary policy operations, which is the main purpose of the institution, by the national and international economic agents.

This operation transfers to the Federal Government, through the National Treasury, the cost of maintaining the international reserves and the result of exchange rate swap transactions carried out in the domestic market. These amounts are reckoned daily and the balance payable or receivable is calculated on the last business day of the semester. This amount will be settled under the same rules established for the transfer or coverage of the bank result (note 39.a).

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a) Equalization of the international reserves maintenance cost

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

The table below shows the net position of the Bank in foreign currency, as at December 31, 2009, adjusted by the position taken in the foreign exchange equalization operation:

Net position in foreign currency	408,283,100
Foreign exchange equalization	(414,629,768)
Exposure to foreign currency	**(6,346,668)**

Concerning the interest rates, the result obtained by the Bank in the operations of foreign exchange equalization, based on the average balance of international reserves in the period, was negative by 7.60%, since the funding cost, covered by the National Treasury, was 7.56%, while the interest result (including the mark-to-market adjustments) of international reserves, transferred to the Treasury, was negative by 0.04%.

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

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

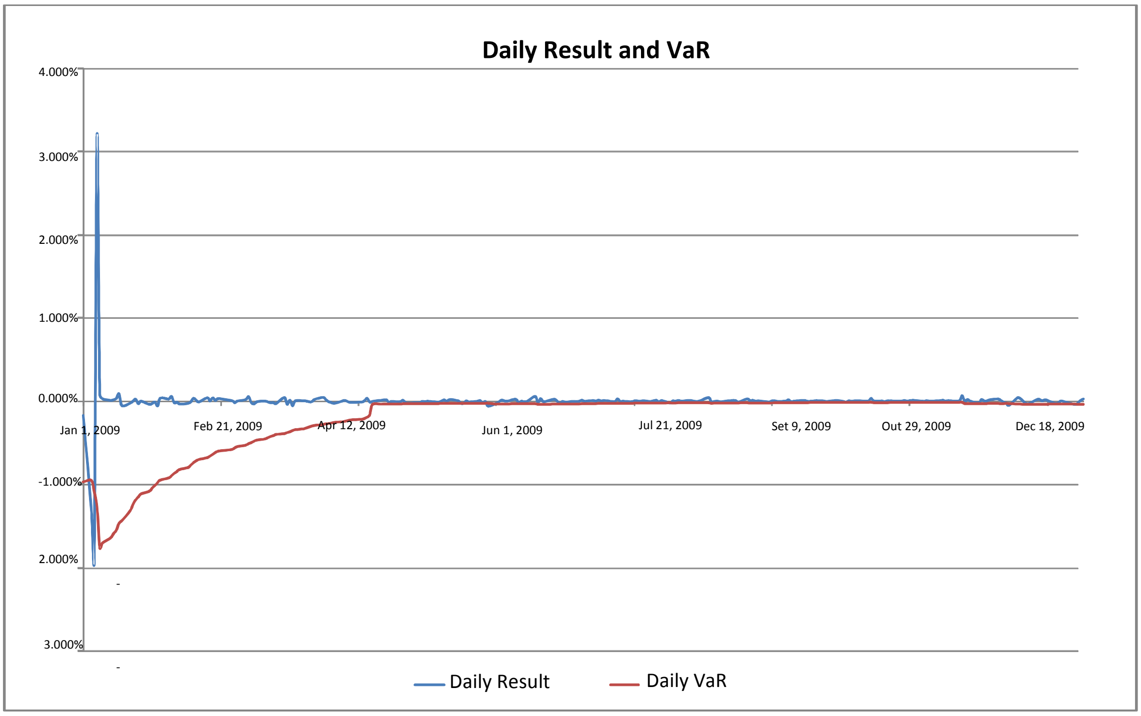
Considering the equalization, the exchange rate swaps conducted in the domestic market do not expose the Bank to foreign exchange or interest rate risks.

35.4 VaR analysis

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

However, due to operational deficiencies, the accounting for the results of the foreign exchange equalization operation occurred with a time lag during the first week of 2009, which made impossible the calculation of the correct VaR up to that date and for the subsequent 68 business days, but they did not affect the calculation relating to the end of the period.

The chart below demonstrates the VaR and the bank's daily result in the period:



The daily VaR of the foreign currency operations, as of the end of 2009, was 0.036% of the total assets, scaled to 0.578% annually, thus, by means of these operations, with a 95% confidence level, the Bank would not have an annual loss greater than 0.578% of its assets. The average daily VaR of the institution in relation to 2009 was 0.221% (annually, 3.505% of the total assets).

36 LIQUIDITY RISK

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

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

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

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

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

c) Maturity:

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

(Amounts are expressed in thousands of Reais) 50

Dec 31, 2009

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

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

Dec 31, 2008

	up to 1 month	1 - 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
Assets						
Cash and Cash Equivalents	5,298,870	-	-	-	-	5,298,870
Time Deposits Placed with Financial Institutions	4,502,885	-	-	-	-	4,502,885
Financial Assets Purchased Under Resell Agreement	14,835,068	10,404,202	-	-	-	25,239,270
Derivatives	24,247	7,024	-	-	-	31,271
Debt Securities	265,982	1,416,784	7,834,801	364,381,423	79,287,983	453,186,973
Credits Receivable	-	5,549,053	5,438,419	-	-	10,987,472
Investments in International Financial Organizations (*)	-	-	-	-	11,070,364	11,070,364
Other (*)	2,195,786	-	-	-	-	2,195,786
Total Assets (A)	**27,122,838**	**17,377,063**	**13,273,220**	**364,381,423**	**90,358,347**	**512,512,891**
Liabilities						
Items in the Course of Collection	2,871,375	-	-	-	-	2,871,375
Deposits Received from Financial Institutions	-	-	-	-	631	631
Financial Assets Sold Under Repurchase Agreement	13,919,806	241,763	-	-	-	14,161,569
Derivatives	96,217	6,345	-	-	-	102,562
Accounts Payable	154,274	5,642	14,804	12,235	1,298,906	1,485,861
Deposits Received from International Financial Organizations	-	-	-	-	11,219,310	11,219,310
Other	988	-	-	-	-	988
Total Liabilities (B)	**17,042,660**	**253,750**	**14,804**	**12,235**	**12,518,847**	**29,842,296**
Net Position (A - B)	**10,080,178**	**17,123,313**	**13,258,416**	**364,369,188**	**77,839,500**	**482,670,595**

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

37 OPERATIONAL RISK

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

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

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

38 RELATED PARTIES

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

38.1 Federal Government

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

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

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

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

a) National Treasury operating account:

The financial resources of the Brazilian Federal Government must be deposited in the Bank in an interest-bearing demand deposit account that pays interest equivalent to the average yield of the Brazilian federal government debt securities that the Bank holds in its portfolio (note 11), excluding mark-to-market adjustments. In 2008, the aforementioned yield was 11.16% (13.20% in 2008).

b) The Bank's results:

The positive result of the Bank, after constitution or reversal of reserves, is considered an obligation the Bank has to the National Treasury and must be settled not later than the tenth business day subsequent to approval of the Bank's financial statements by the CMN. The negative results constitute a right of the Bank against the National Treasury that must be received not later than the tenth business day of the year subsequent to approval of the financial statements. Both amounts are updated until the date of the effective transfer and are remunerated by the same interest rate paid on the National Treasury operating account (notes 11 and 39.a).

c) Foreign exchange equalization:

The Law 11.803/2008 created the foreign exchange equalization operation with the objective of giving greater transparency to the results of the monetary authority operations and of reducing the volatility of the Bank results, generated by the increasing mismatch between assets and liabilities in foreign currency. This volatility affects the analysis of the result of monetary policy operations of the Bank by national and international stakeholders. The amounts and characteristics of these operations are described in note 9.2.

d) Transfer under Budget Law:

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

e) Payment of Lawsuits:

The payments of lawsuits in which the Federal Government or any of its agencies are a party have been centralized under the responsibility of the courts where they are coursed. Those courts have to deal with the budgetary and financial issues, i.e., they must obtain authorization and make the payments. The Bank no longer uses its resources to pay for those obligations (note 19.2 and 23.1).

f) Utilization of Securities as a Monetary Policy Tool:

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

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

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

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

(Amounts are expressed in thousands of Reais) 53

	2009	2008
National Treasury Operating Account		
Opening balance	255,216,726	275,843,164
(+) remuneration	32,395,550	28,203,499
(+/-) deposits/redemptions	(66,610,762)	(52,079,062)
(+) positive result transferred	185,352,906	3,249,125
Closing balance	406,354,420	255,216,726
Federal Government Debt Securities		
Opening balance	496,741,067	359,335,362
(+/-) net issue/redemption	90,423,881	87,692,351
(+) remuneration	53,173,259	47,554,922
(+/-) mark-to-market adjustments	(122,289)	2,158,432
Closing balance	640,215,918	496,741,067
Result to be covered by the National Treasury		
Opening balance	-	17,346,831
(+) negative result to be covered	938,458	-
(+) remuneration	42,172	903,722
(-) covered	(980,630)	(18,250,553)
Closing balance	-	-
Result to be transferred to the National Treasury		
Opening balance	10,175,795	-
(+) positive result to be transferred	6,553,787	13,351,678
(+) remuneration	210,760	73,242
(-) transfers	(10,386,555)	(3,249,125)
Closing balance	6,553,787	10,175,795
Foreign Exchange Equalization		
Opening balance	-	-
(+) adjustments	147,718,892	(126,617,756)
(+/-) transfers to credits payable (receivable)	(147,718,892)	126,617,756
Closing balance	-	-
Credit receivable due to the result of foreign exchange equalization		
Opening balance	-	-
(+) foreign exchange equalization result	147,718,892	44,798,256
(+) remuneration	3,355,175	2,775,861
(-) amounts received	(97,142,491)	(47,574,117)
Closing balance	53,931,576	-
Credit payable due to the result of foreign exchange equalization		
Opening balance	171,416,012	-
(+) foreign exchange equalization result	-	171,416,012
(+) remuneration	3,550,337	-
(-) payments	(174,966,349)	
Closing balance	-	171,416,012
Transfer under Budget Law	1,179,531	1,042,519

38.2 Centrus

Centrus (Fundação Banco Central de Previdência Privada), a non-profit organization, is a private pension fund that aims to supplement the retirement benefits and pensions granted by the General Social Security Regime (RGPS) (note 23.2). The Bank is the sponsor of Centrus, and as a result, the following transactions occurred between the entities.

(Amounts are expressed in thousands of Reais) 54

	2009	2008
Resources managed by Centrus		
Opening balance	942,364	1,784,227
(+/-) actuarial gains/losses	133,601	(473,920)
(-) amounts received	(563,110)	(610,909)
(+) interest	118,012	242,966
Closing balance	630,867	942,364
Actuarial Surplus		
Opening balance	2,483,386	3,093,868
(+/-) actuarial gains/losses	421,264	(1,215,477)
(+) contributions	-	1,079
(+) interest	466,797	603,916
Closing balance	3,371,447	2,483,386
Credits Receivable (note 12.2)	267,500	-
Payment of management fee	3,473	5,231

The main variations observed in the period occurred as a result from the recognition of actuarial gains (note 23.2).

38.3 Casa da Moeda do Brasil - CMB

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

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

In 2009, the Bank acquired banknotes and coins that totaled an expense of R$767,120 (R$479,427 in 2008).

38.4 Fundo de Pensão dos Empregados da Casa da Moeda do Brasil - Cifrão

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

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

The resources of the Redi-BC are destined to fund the carrying out of relevant and essential projects that aim to achieve the operational and institutional development via the implementation of actions defined within the strategic planning. In 2009, Redi-BC spent R$66,462 (R$71,988 in 2008) for the Bank and also reimbursed it in the amount of R$1,359 (R$913 in 2008) as an administration fee.

38.6 Fundo de Assistência ao Pessoal – FASPE

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

In 2009, the Bank incurred expenses that totaled R$62,272 in contributions to the Faspe (R$55,145 in 2008).

38.7 The Board of Directors and other management officers

The Bank's Board of Directors consists of 8 Directors (including the Governor), one Executive Secretary, one Attorney General and 46 civil servants, working as Advisors to the Board of Directors, Heads of Departments and Executive Managers. These are considered key-people. The Bank does not grant loans of any kind to any of its key-people or employees. Benefits to key-people include salaries, wage-related expenses, health care and other benefits. The Bank is also responsible for the payment of post retirement benefits for the key-people who are career civil servants. Law establishes salaries and benefits and there is not any relation between them and the financial performance of the Bank.

The total remuneration of the Board of Directors (including salaries, benefits, social security and other wage-related expenses) amounted to R$2,478 in 2009 (R$2,425 in 2008). The total remuneration of the remaining key-people - Executive Secretary, Attorney General, Advisors to the Board of Directors, Heads of Departments and Executive Managers - was R$15,116 (R$14,379 in 2008).

39 FISCAL RESPONSIBILITY LAW – MANDATORY INFORMATION

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

The sole paragraph of Article 8 of Law 4.595/1964, as amended by Decree-Law 2.376/1987, stipulates that "the results obtained by Banco Central do Brasil, considering the revenues and expenses of all its operations, shall be, effective from January 1, 1988, determined on an accrual basis and transferred to the National Treasury, after offsetting any losses from prior fiscal years".

This provision was partially amended by the Fiscal Responsibility Law:

"*Article 7. The positive result of Banco Central, calculated after constitution or reversal of reserves, constitutes a revenue of the National Treasury and shall be transferred not later than the tenth business day subsequent to approval of the half-year balance sheets.*"

Paragraph 1: The negative results will constitute a Treasury liability owed to the Banco Central do Brasil and will be consigned to a specific budget allocation account."

In accordance with Item II of Article 2 of Provisional Measure 2.179-36, these negative results must be covered not later than the tenth business day of the fiscal year subsequent to the year of approval of the financial statements by the CMN.

Therefore:

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

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

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

The Bank experienced a positive result of R$2,158,984 in the third quarter and a positive result of R$4,391,661 in the fourth quarter, totaling a positive result of R$6,550,645 in the second semester of 2009. After realization of revaluation reserves, this result will be transferred to the National Treasury not later than the tenth business day of the exercise following the approval of the financial statements by the CMN. In conformity with Article 9, Paragraph 5, of the Fiscal Responsibility Law, within ninety days after the end of the semester, the Bank shall present, in a joint meeting of the pertinent Theme Committees of the National Congress (among which the Economic Subjects Committees, the Finances and Taxation Committees, and the Public Budget Committees), an evaluation report on compliance with the objectives and targets of the monetary, credit and foreign exchange policies, and also demonstrating the impact and fiscal costs of its operations and the results depicted in its financial statements.

(Amounts are expressed in thousands of Reais) 56

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

The cost corresponding to the remuneration of the National Treasury deposits amounted to R$9,028,133 in the third quarter of 2009 and to R$8,288,765 in the fourth quarter of 2008 (R$17,316,898 in the semester).

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

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

On December 31, 2009, the sovereign debt securities represented 92.2% of total international reserves, as disclosed in Press Note on the External Sector (Table 49), available on the Bank's website (www.bcb.gov.br).

	International Reserves		**Cost of**	**Cost of Maintaining International Reserves**	
	Average Balance (R$ mil)	**Profitability (%)**	**funding (%)**	**(%)**	**(R$ mil)**
3st quarter/2009	397,717,718	(7.95%)	1.65%	(9.61%)	(38,214,228)
4nd quarter/2009	406,292,262	(2.12%)	1.75%	(3.86%)	(15,700,800)
Total in the semester					**(53,915,028)**

The international reserves had negative returns of 7.95% in the third quarter, already considering the appreciation of the Real in relation to the main currencies that compounded the international reserves in the period. Excluding the funding cost of the Bank, the net result of the international reserves was negative by 9.61% (R$38,214,228). In the fourth quarter, the profitability reached a negative 2.12%, totaling negative 3.86% (R$15,700,800), considering the cost of funding.

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

The profitability of the Bank's securities portfolio, which is exclusively composed of Government securities, was R$12,567,391 in the 3rd quarter and R$14,169,446 in the 4th quarter, totaling R$26,736,837 in the 2nd semester of 2009.

Governor of the Banco Central do Brasil
Henrique de Campos Meirelles

Deputy Governors
Aldo Luiz Mendes
Alexandre Antônio Tombini
Alvir Alberto Hoffmann
Anthero de Moraes Meirelles
Antônio Gustavo Matos do Vale
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Independent auditors' report

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

1 We have audited the accompanying balance sheets of Banco Central do Brasil (the "Bank"), as at December 31, 2009 and 2008, and the related income statements, comprehensive income, changes in equity and cash flow statements for the years then ended. The Bank's management is responsible for preparing and presenting these financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on the results of our audits.

2 We conducted our audits in accordance with International Auditing Standards as well as with the equivalent standards applicable in Brazil. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the presentation of the financial statements taken as a whole.

3 In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

4 Our audits were conducted for the purpose of expressing an opinion on the Bank's financial statements taken as a whole. The supplementary information included in Note 39 are not the pieces of information requested by International Financial Reporting Standards, but they are being presented in compliance with the Tax Liability Law. This supplementary information was submitted to the same audit procedures as described in Paragraph 2 above. In our opinion this information is fairly presented in all material aspects in relation to the financial statements considered as a whole.

February 12, 2010

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF
Original report in Portuguese signed by
Ricardo Anhesini Souza
Accountant CRC 1SP152233/O-6-S-DF