



Brazilian Overview



Brazilian Overview

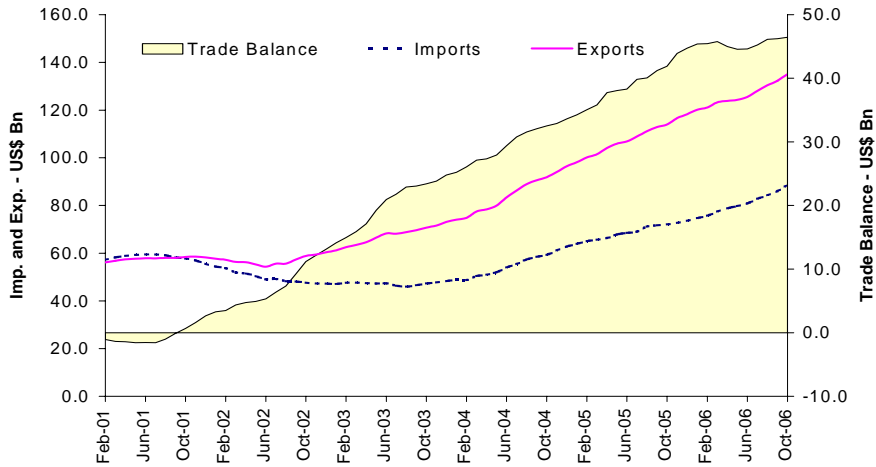
Macroeconomic Overview

Fiscal Policy

Public Debt Management

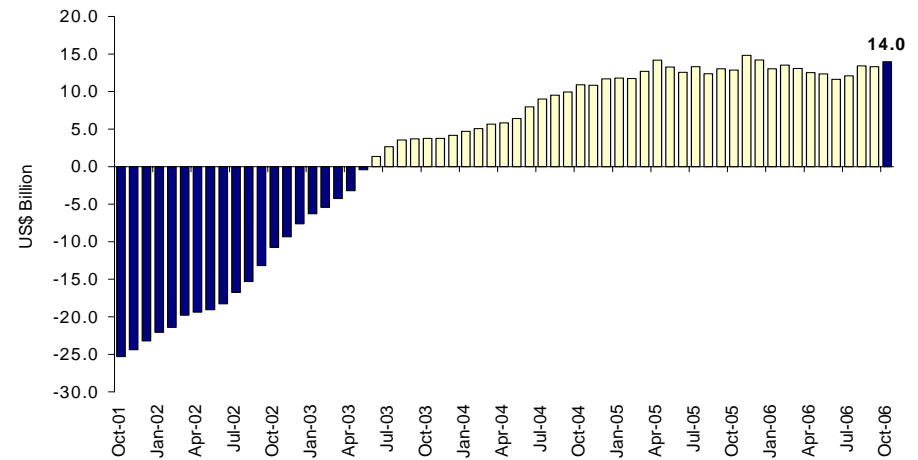
Macroeconomic Overview - Reduction in the External Vulnerability

Trade Balance



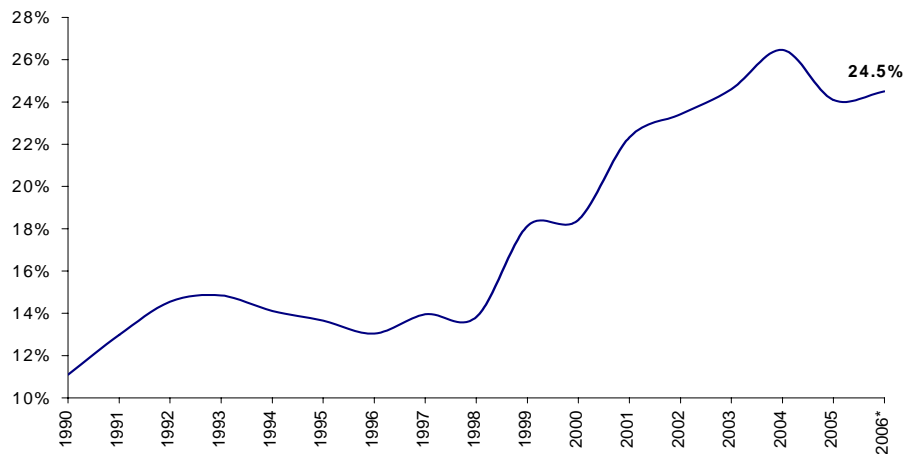
Source: MDIC - SECEX

Current account (12 months accumulated - US\$ bn)



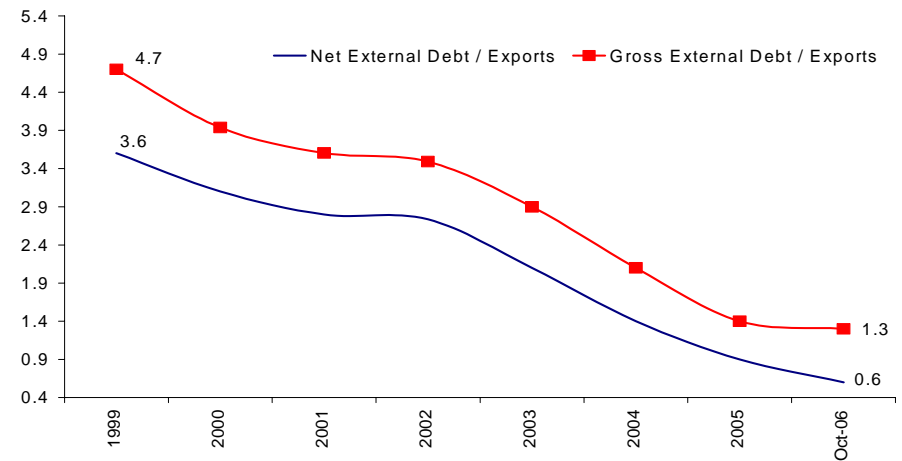
Source: Central Bank

External Trade (Exports + Imports) of GDP (%)



* Until September, 2006
Source: MDIC - SECEX and Central Bank

Net External Debt/Exports accumulated in 12 months*

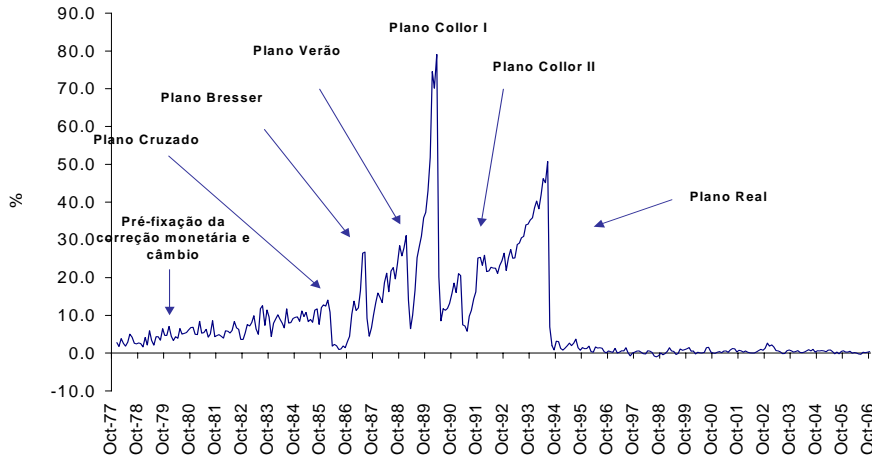


Source: Central Bank. *Public Debt and Private Debt as a share of export accumulated in 12 months



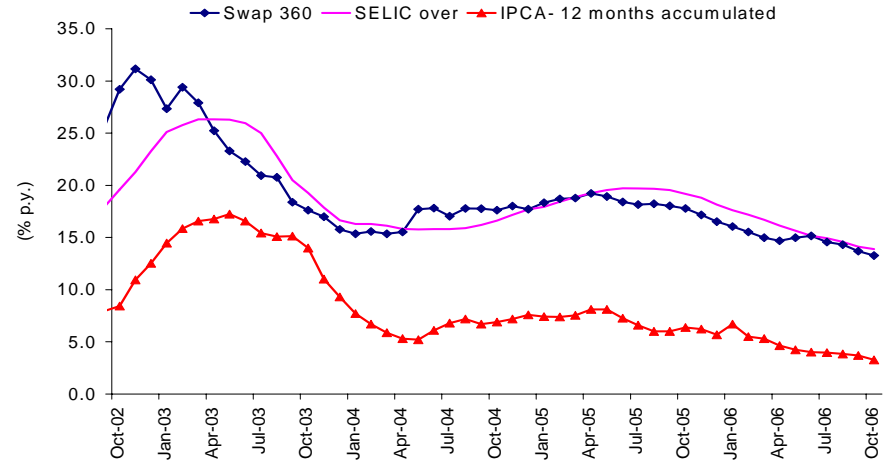
Macroeconomic Overview - Inflation under control and the economy stability

Inflation 1976/2006 - CPI* - Monthly (%)



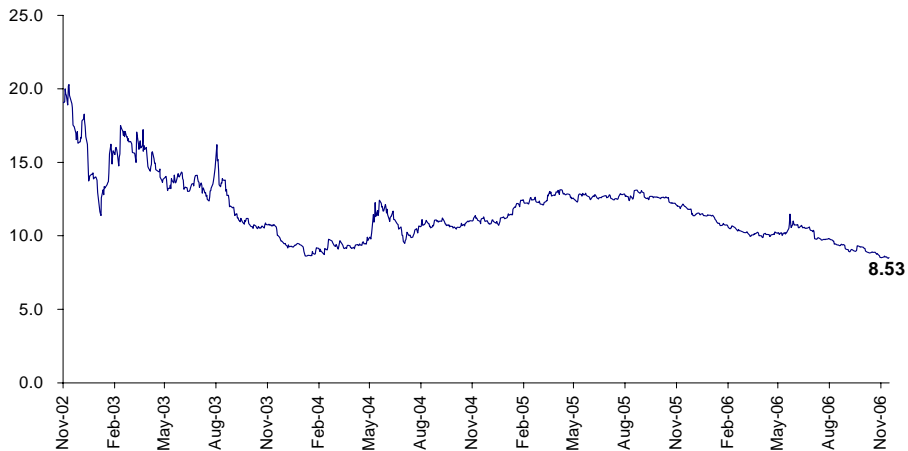
Source: IPEADATA. * Consumer Price Index - IPC (FIPE)

Commitment to price stability



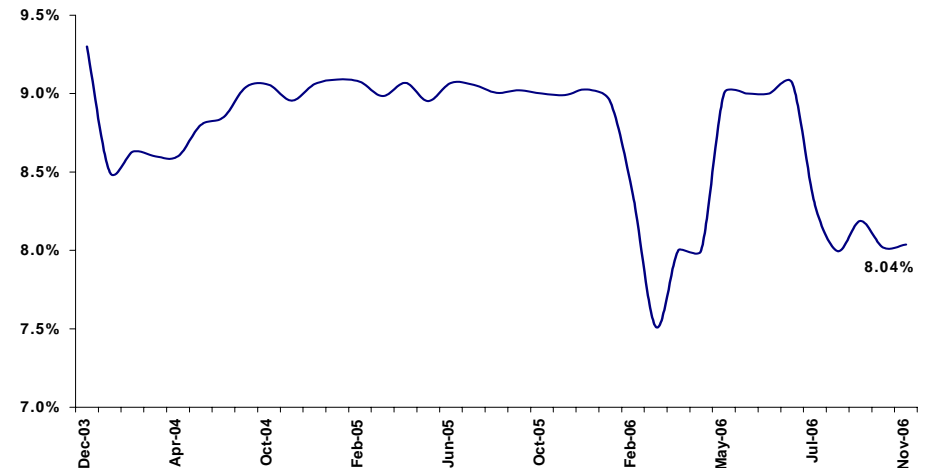
Source: IPEADATA and Bloomberg

Real Interest Rate (Swap 360 vs 12-month CPI forecast)



Source: Central Bank and Bloomberg

Medium and Long Term Real Interest Rate on inflation indexed bonds* - Average rate of auctions



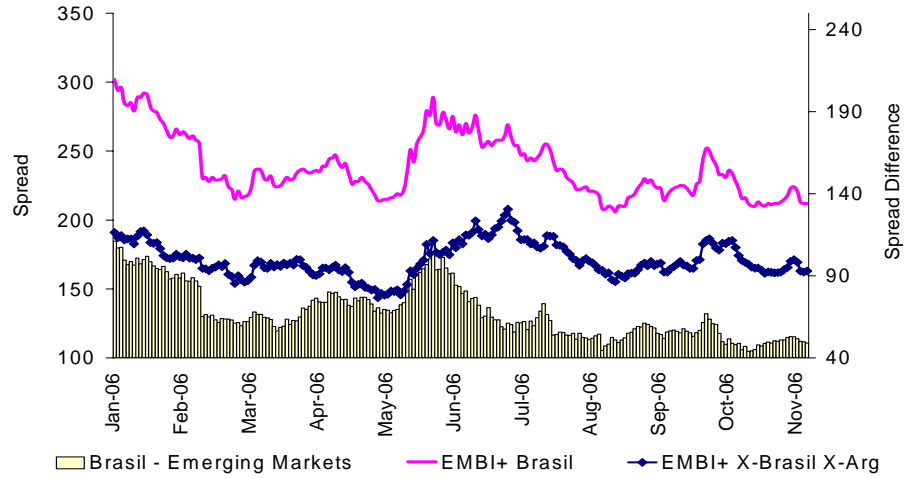
Source: National Treasury

* NTN-B: CPI indexed bonds, maturing in 2024, 2035 and 2045.



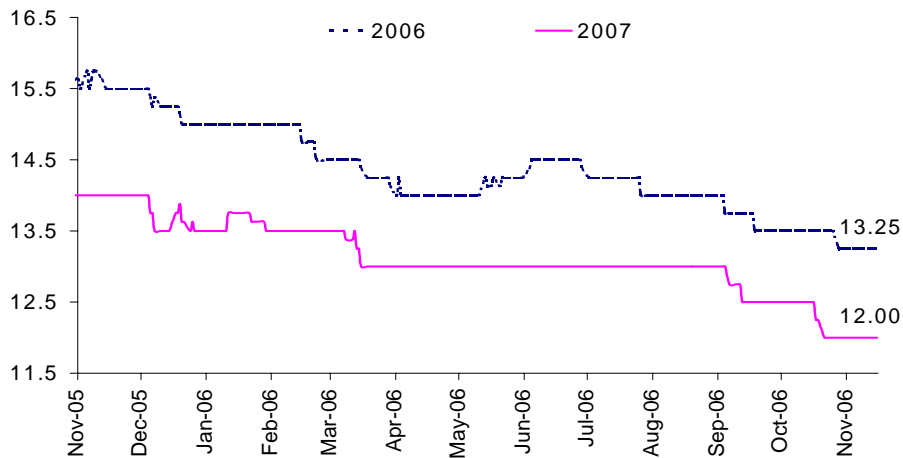
Market Expectations for 2006-2007

Spread Performance - Brazil and Emerging Markets



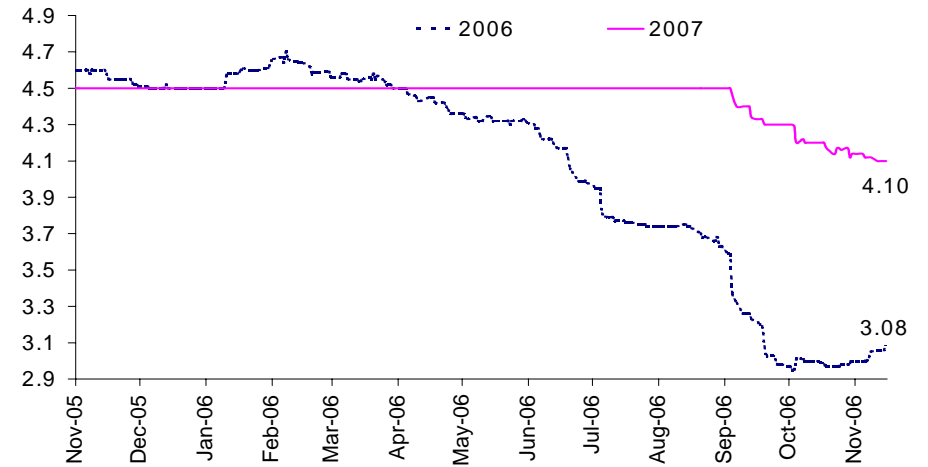
Source: JP Morgan

Nominal Interest Rate - Selic (%)*



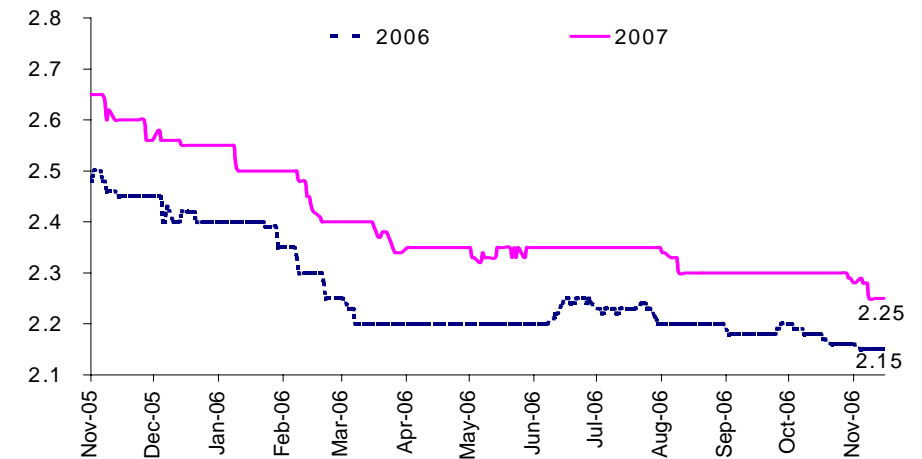
Source: Central Bank/Focus (11/17/06) *End of the year rate

Inflation - CPI (%)



Source: Central Bank/Focus (11/17/06)

Exchange Rate Year End (R\$/US\$)



Source: Central Bank/Focus (11/17/06)



Market Expectations for 2006-2010

Market Expectations -- Median of the Sample Collected by the Brazilian Central Bank

	Sample Date	2006	2007	2008	2009	2010
Primary Balance (% GDP)	10/31/2005	4.30	4.25	4.25	4.20	-
	11/17/2006	4.25	4.25	4.25	4.25	4.25
Trade Balance (US\$ billion)	10/31/2005	35.00	30.90	29.00	28.00	-
	11/17/2006	45.00	37.42	34.40	31.00	30.00
Current Account Balance (US\$ billion)	10/31/2005	6.30	3.00	0.40	-0.10	-
	11/17/2006	12.00	5.55	2.10	0.00	-1.50
Exchange Rate Year End (R\$/US\$)	10/31/2005	2.50	2.65	2.80	2.90	-
	11/17/2006	2.15	2.25	2.38	2.49	2.55
Inflation (IPCA in %)	10/31/2005	4.60	4.50	4.50	4.50	-
	11/17/2006	3.08	4.10	4.30	4.20	4.00
Central Bank Interest Rate -- % a year	10/31/2005	16.42	14.78	13.50	13.00	-
	11/17/2006	13.25	12.00	11.00	10.50	10.00
GDP Growth (%)	10/31/2005	3.50	3.50	3.80	3.50	-
	11/17/2006	2.95	3.50	3.50	3.50	3.80
Foreign Direct Investment (US\$ billion)	10/31/2005	16.00	17.35	18.00	18.00	-
	11/17/2006	15.60	16.00	17.00	16.89	17.50
Net Public Sector Debt (% GDP)	10/31/2005	50.75	48.50	47.00	45.75	-
	11/17/2006	50.35	49.10	47.00	45.30	43.70

Source: Focus/Central Bank



Brazilian Overview

Macroeconomic Overview

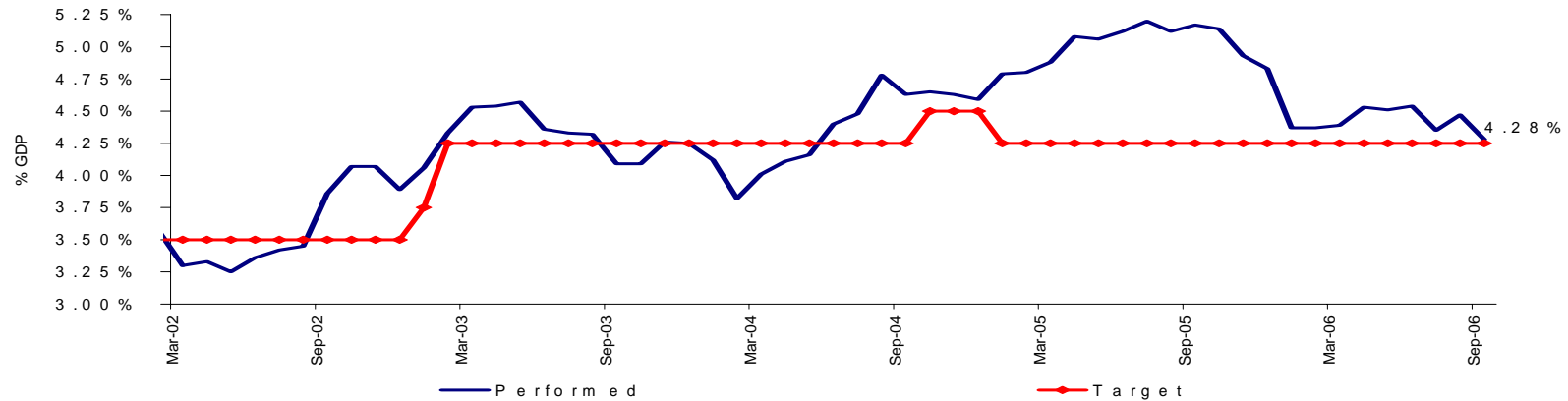
Fiscal Policy

Public Debt Management



Key reasons why we are going to achieve fiscal target in 2006

Public Sector Primary Result (% of GDP in 12 months)



Note: The slight drop at the end of the curve (performed primary) reflects the anticipated payment of social security benefits that should take place on Dec-06, amounting R\$ 5.8 bn (about 0.4% of GDP)

Target Versus Performed

	R\$ billion			
	Target Jan-Dec* (a)	Performed Jan-Sept (b)	(b) - (a)	Target achieved %
Federal Government	67.7	59.1	-8.6	87.3%
Central Government	50.0	49.4	-0.6	98.9%
Federal Enterprises	17.7	9.7	-8.1	54.6%

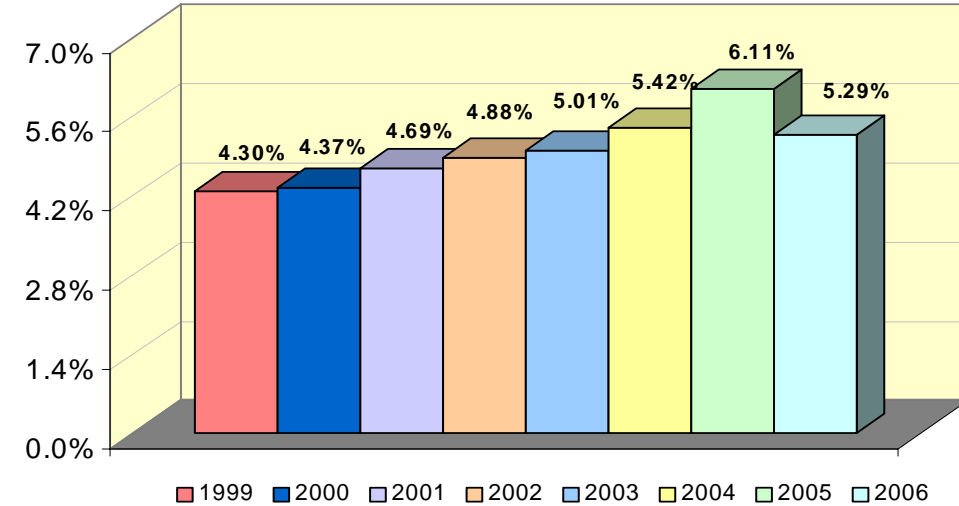
*Decree 5.925/2006

Source:: MF/STN



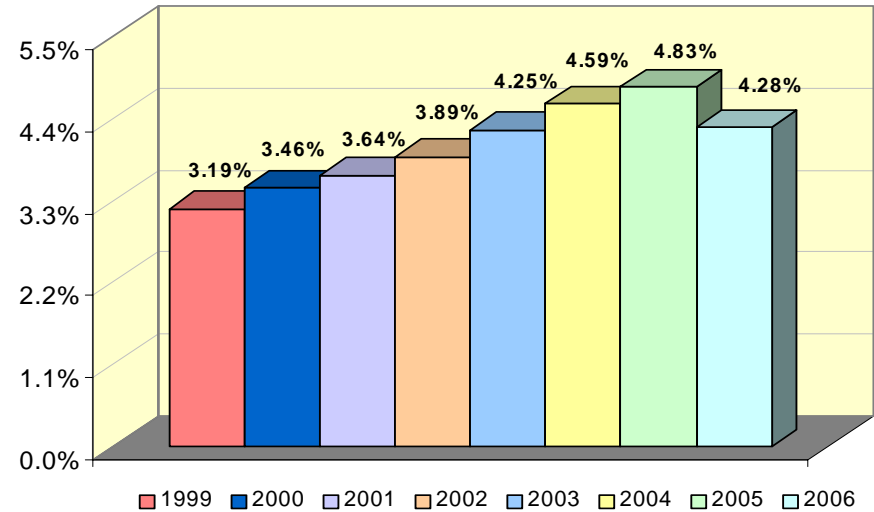
Fiscal performance remains strong and deny the idea of “fiscal crisis”

Public Sector Primary Result
(Up to September in % of GDP)



Source: MF/STN

Public Sector Primary Result
(Annual in % of GDP)



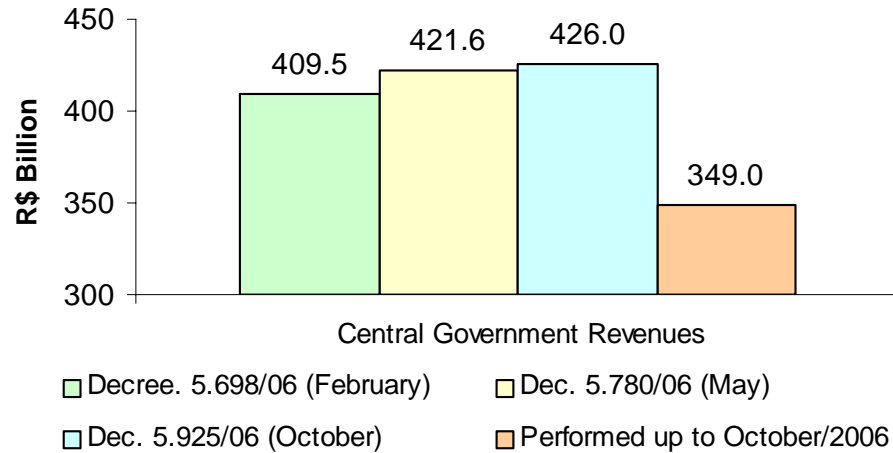
*2006: in 12 months - September

Source: MF/STN

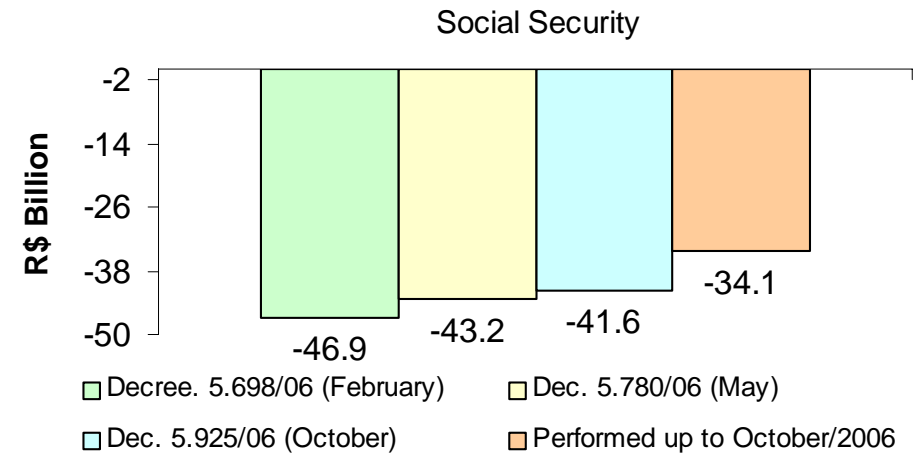


Target *versus* preformed: 2006 figures

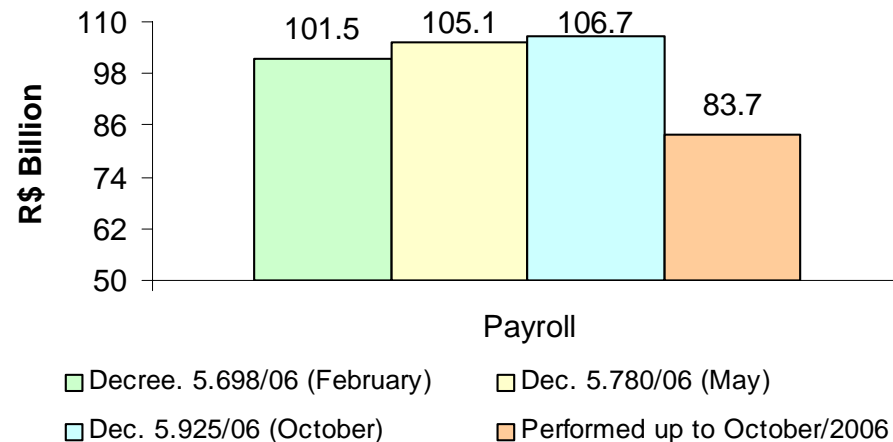
Total Revenues(R\$ Billion)



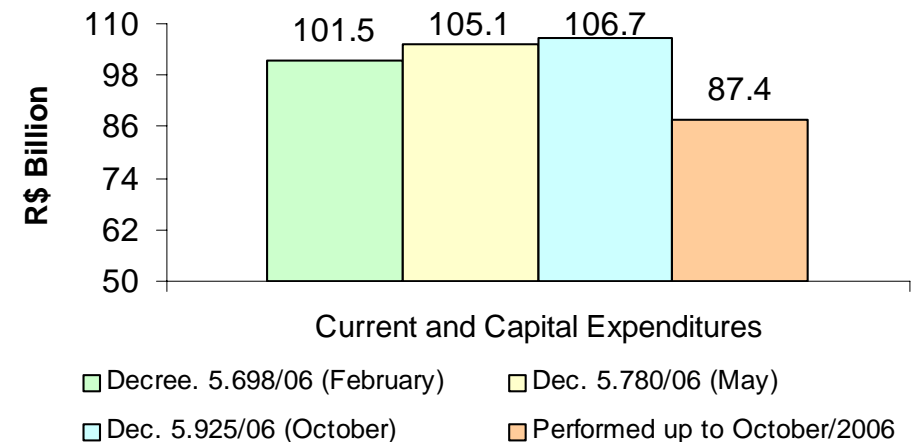
Social Security Deficit (R\$ Billion)



Payroll (R\$ Billion)



Current and Capital (R\$ Billion)





Financial performance of State-owned companies

Net dividend revenues from the Public Sector perspective (R\$ mn)

R\$ million			
	Non-financial companies	Financial institution	Total Amount
2001			
Dividend received by the central government	2.188,0	772,4	2.960,5
Dividend payments by non-financial companies wich central government holds stock participation	(5.202,9)	-	(5.202,9)
Net Result	(3.014,9)	772,4	(2.242,5)
2002			
Dividend received by the central government	2.265,1	737,3	3.002,4
Dividend payments by non-financial companies wich central government holds stock participation	(5.335,3)	-	(5.335,3)
Net Result	(3.070,2)	737,3	(2.333,0)
2003			
Dividend received by the central government	1.620,0	2.127,5	3.747,4
Dividend payments by non-financial companies wich central government holds stock participation	(3.926,8)	-	(3.926,8)
Net Result	(2.306,9)	2.127,5	(179,4)
2004			
Dividend received by the central government	2.352,7	1.865,9	4.218,7
Dividend payments by non-financial companies wich central government holds stock participation	(6.491,4)	-	(6.491,4)
Net Result	(4.138,6)	1.865,9	(2.272,7)
2005			
Dividend received by the central government	2.083,3	2.665,6	4.748,8
Dividend payments by non-financial companies wich central government holds stock participation	(5.903,8)	-	(5.903,8)
Net Result	(3.820,5)	2.665,6	(1.155,0)
2006*			
Dividend received by the central government	3.073,2	7.527,2	10.600,3
Dividend payments by non-financial companies wich central government holds stock participation	(8.295,1)	-	(8.295,1)
Net Result	(5.221,9)	7.527,2	2.305,3

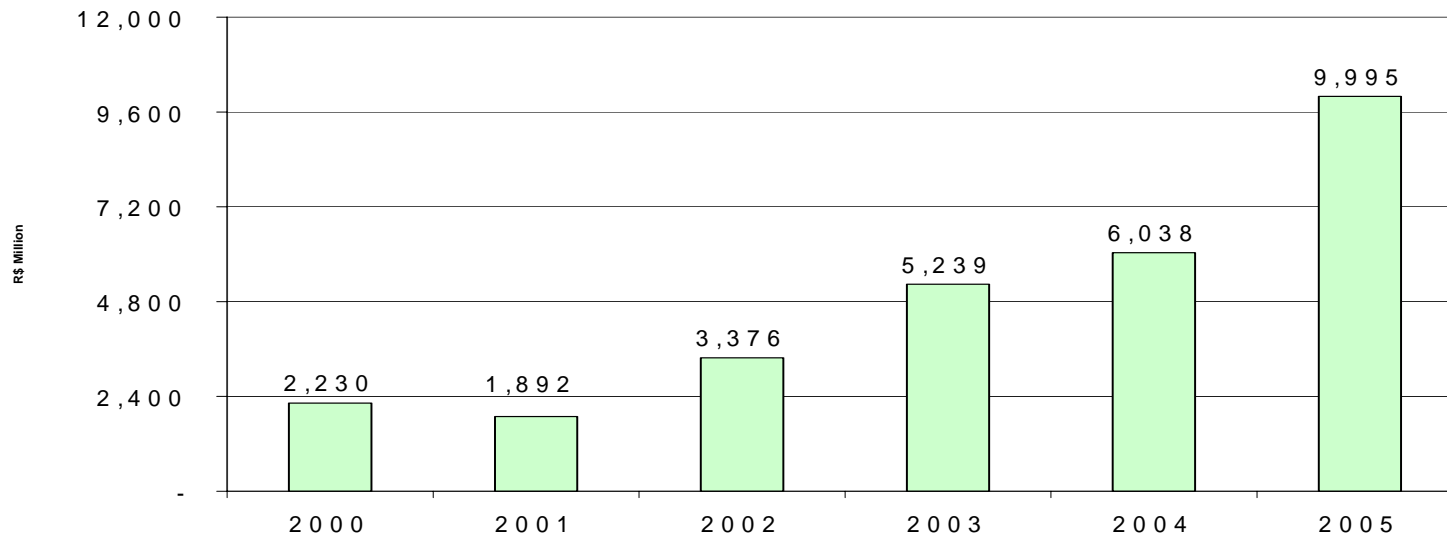
* Performed up to sept/2006 and projection oct/2006-dec/2006r.



Financial performance of State-owned companies

Net Profits (R\$ mn)

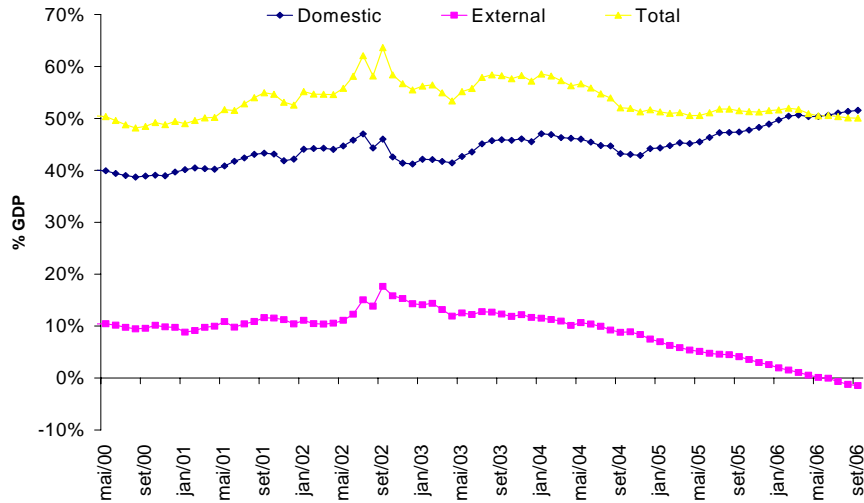
Financial Institutions	Adjusted Profit					
	2000	2001	2002	2003	2004	2005
BASA	48.4	38.5	41.1	285.5	109.7	249.7
BB (includes FGE)	925.5	1,027.9	1,926.3	2,261.9	2,873.1	4,480.5
BEC	29.9	63.0	-	82.7	62.5	83.4
BEP	0.8	-	-	5.9	6.2	6.9
BNB	48.6	-	-	81.9	105.4	58.8
BNDES	823.3	762.4	522.1	985.9	1,422.9	3,042.4
CEF	353.7	-	886.8	1,535.3	1,458.5	2,073.0
Total Amount	2,230.2	1,891.8	3,376.3	5,239.2	6,038.3	9,994.6





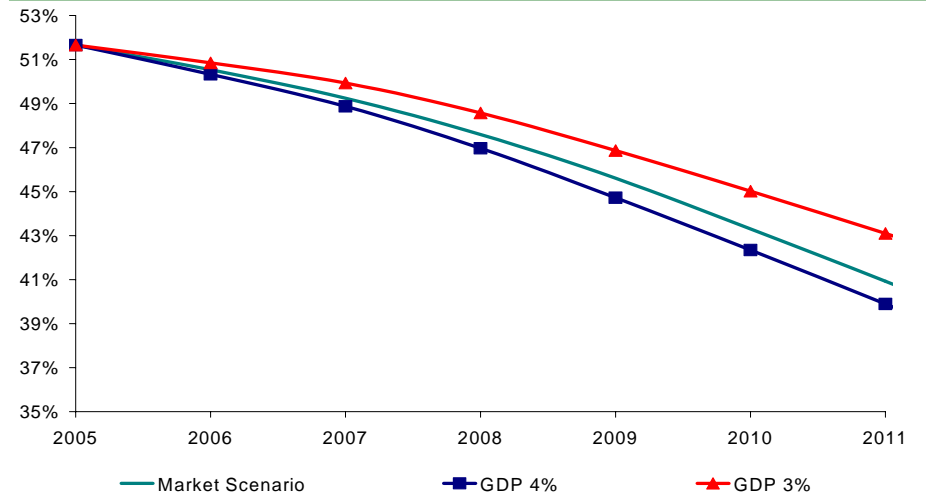
Primary surplus of 4.25% of GDP assures the reduction of Net Public Sector Debt / GDP

Net Public Sector Debt / GDP



Source: Central Bank and National Treasury

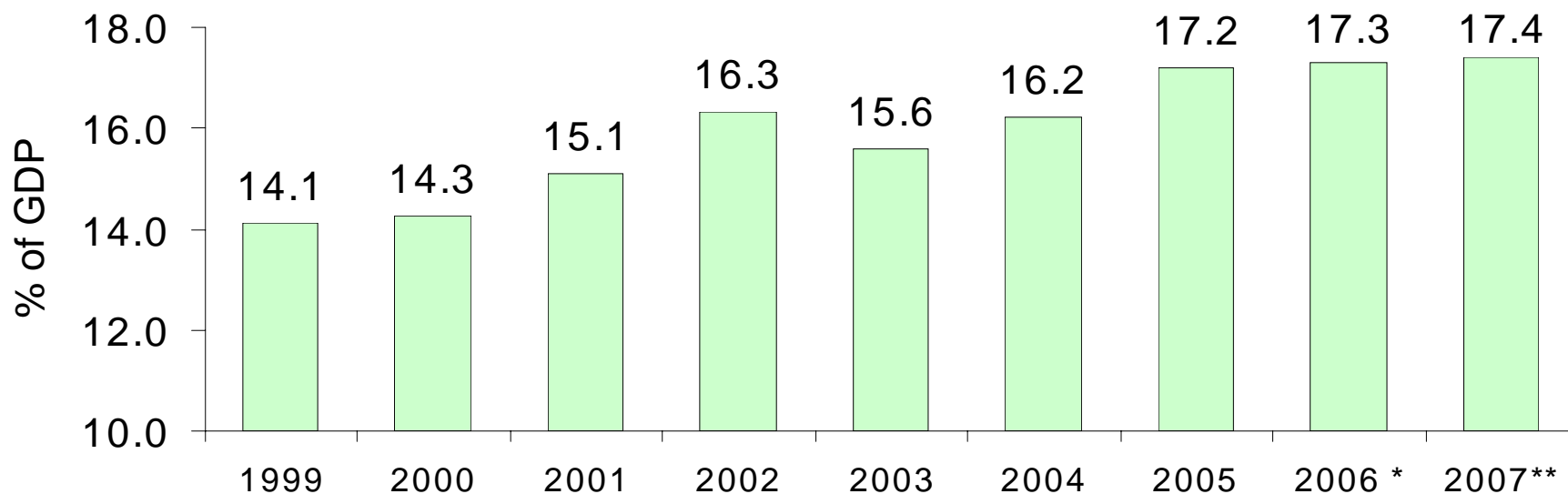
Net Debt / GDP*



*Scenarios based on the FOCUS report

But fiscal adjustment has been largely underpinned by revenue increases...

SRF-Managed Revenues (% of GDP)



*Decree 5.925/2006

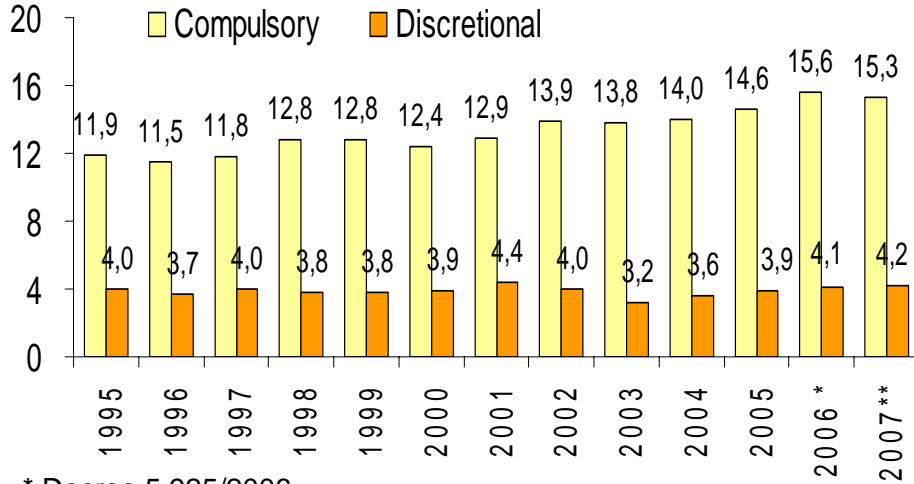
** Budgetary Draft Law 2007

Source: MF/STN



... rather than a retrenchment of expenditure commitments

Compulsory and discretionary expenditures, Cent Gov (%GDP)

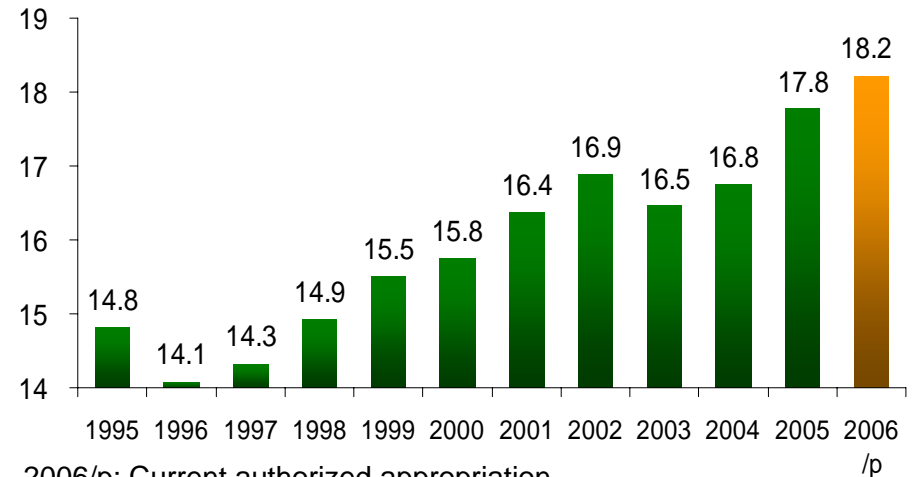


* Decree 5.925/2006

** Budgetary Draft Law 2007

Source: MPOG/SOF

Central government current expenditures (% GDP)

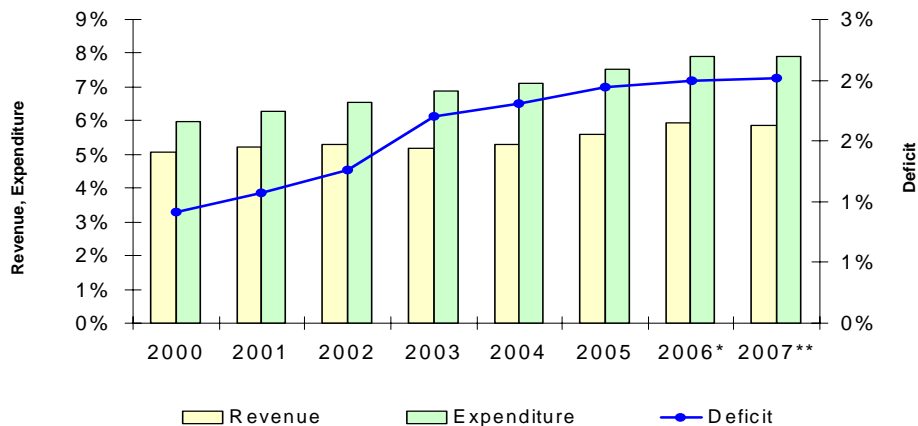


2006/p: Current authorized appropriation

Source: MPOG/SOF 2006/p: MF/STN

Social security and welfare benefits are increasing in % of GDP

Social Security (RGPS) Revenue, Expenditure & Deficit (% of GDP)

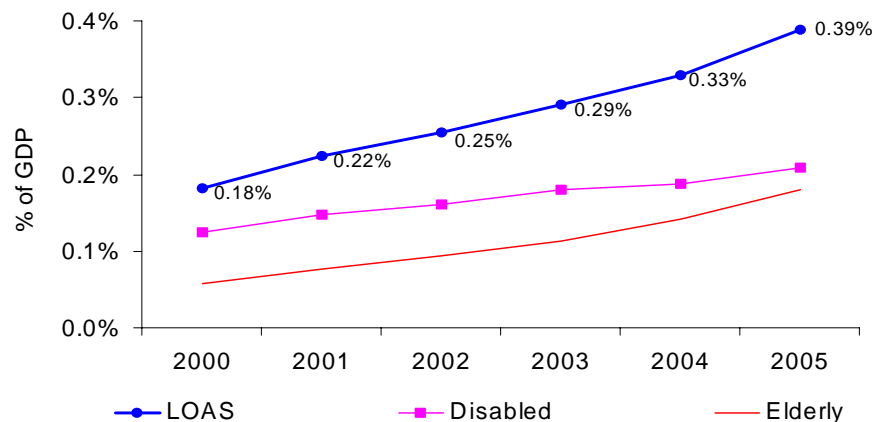


*Decree 5.925/2006

** Budgetary Draft Law/ 2007

Source: STN

Welfare Benefits (LOAS/RMV) in % GDP
Accrual Basis



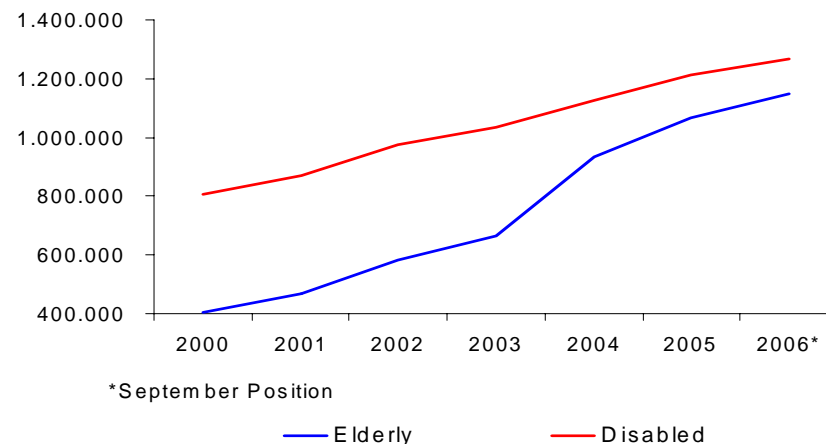
Source: MPS - Boletim Estatístico

Social Security (RGPS) Revenue, Expenditure & Deficit -- urban and rural workers (% of GDP)

	Net Inflow	Social Security Benefits	Social Security Balance
2000			
Total	5.06	5.97	(0.91)
Urban workers	4.92	4.87	0.05
Rural workers	0.14	1.11	(0.97)
2001			
Total	5.21	6.28	(1.07)
Urban workers	5.06	5.06	(0.01)
Rural workers	0.16	1.22	(1.06)
2002			
Total	5.28	6.54	(1.26)
Urban workers	5.11	5.27	(0.17)
Rural workers	0.17	1.27	(1.10)
2003			
Total	5.19	6.88	(1.70)
Urban workers	5.00	5.56	(0.56)
Rural workers	0.19	1.32	(1.14)
2004			
Total	5.31	7.12	(1.81)
Urban workers	5.13	5.80	(0.67)
Rural workers	0.18	1.32	(1.14)
2005			
Total	5.60	7.54	(1.94)
Urban workers	5.42	6.12	(0.70)
Rural workers	0.17	1.41	(1.24)

Source: MPS/SPS

Welfare beneficiaries (LOAS/RMV)
December figures

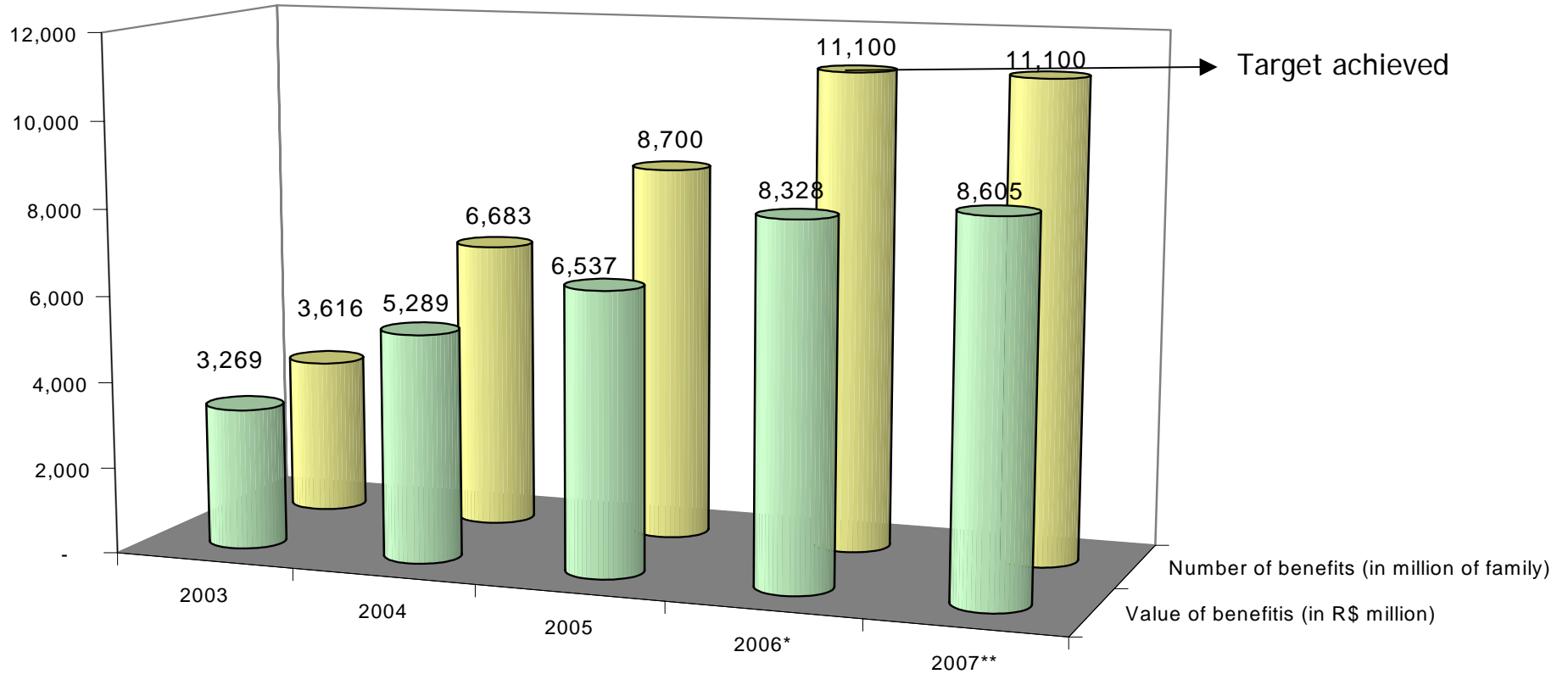


Source: MPS - Boletim Estatístico



“Bolsa Família” became an international reference for conditional income transfers...

“Bolsa Família” Expenditure



*Forecast

**Budgetary Draft Law 2007

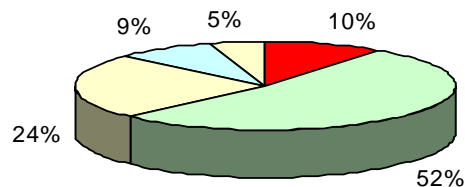
Source: MDS



... reaching the estimated universe of poor families

"Bolsa Família" Expenditure

Regional Distribution of Bolsa Família Expenditure



■ North ■ Northeast ■ Southeast ■ South ■ Center-West

Bolsa Família Expenditure per Region
Budgetary Law 2007

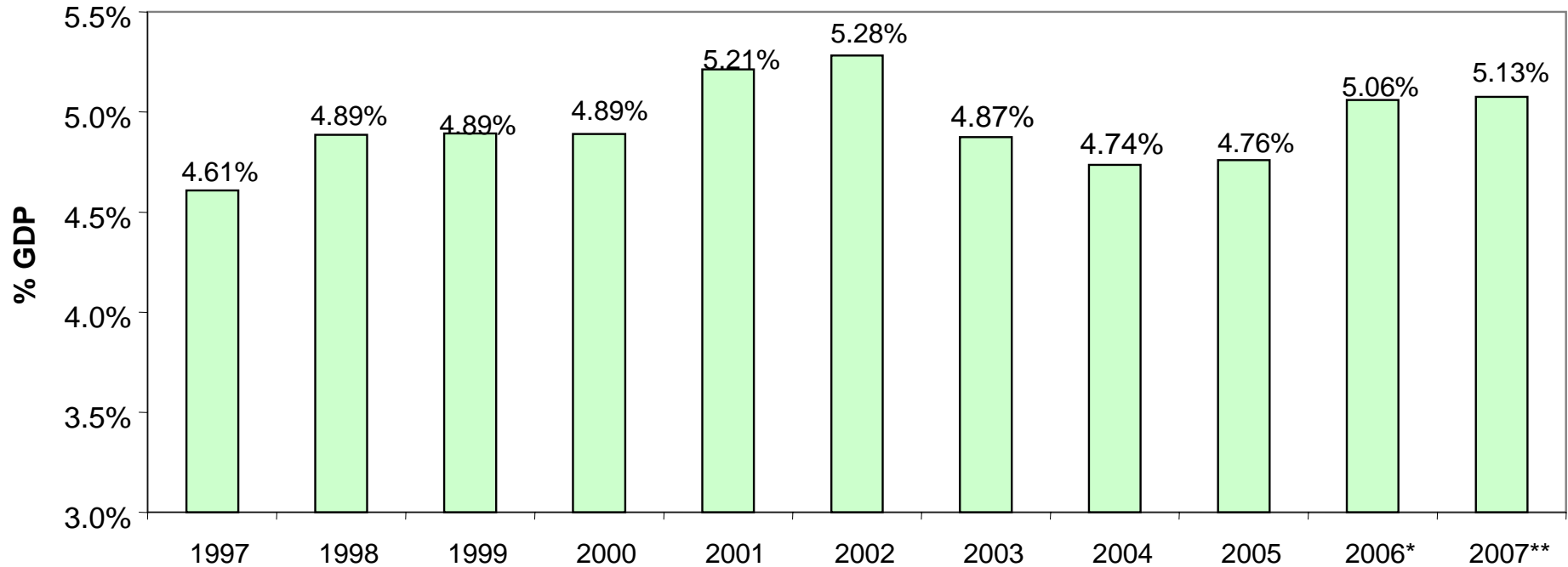
Region	Annual Value R\$	Number of beneficiaries	Monthly Average Value	Number of Poor Families (Pnad 2001 IBGE)
North	857,640,000	1,011,968	70.62	1,134,476
Northeast	4,526,180,000	5,534,610	68.15	5,259,839
Southeast	2,068,350,000	2,907,135	59.29	3,045,159
South	737,050,000	1,057,613	58.07	1,096,279
Center-West	415,980,000	609,027	56.92	668,456
TOTAL	8,605,200,000	11,120,353	64.49	11,204,209

Source: MDS



Personnel expenditure is also relevant

Personnel expenditure (% of GDP)



*Decree 5.925/2006

** Budgetary Draft Law 2007

Source: MF/STN



Since 2004, tax cuts have become relevant

Cumulative Effect of tax cuts

Description of the measures (Lei 11.196/05)	2004		2005		2006	
	R\$ billion	% of GDP	R\$ billion	% of GDP	R\$ billion	% of GDP
Incentive to productive investment	0.7	0.04%	3.4	0.18%	6.1	0.29%
Tax cuts to families	0.5	0.03%	2.3	0.12%	4.0	0.19%
Tax exemption for basic basket goods	3.3	0.19%	5	0.26%	5.0	0.24%
Incentive to long term savings	0.8	0.04%	2	0.10%	2.2	0.10%
Incentive to small enterprises			0.3	0.02%	1.4	0.06%
Incentive to technological innovation			0.1	0.01%	0.6	0.03%
Total	5.3	0.30%	13.1	0.74%	19.2	1.09%

Source: MF/SPE



Fiscal Responsibility - LDO

Budgetary Guidelines Law (BGL) 2007 - Draft

■ Assumptions

- The 4.25% of GDP primary surplus will be kept in 2007/2009. Central Government will answer for 2.45% of GDP and federal enterprises will answer for 0.7% of GDP.
- Continuity of fiscal policy and maintenance of the BGL rule to minimum wages (CPI + GDP *per capita*).
- If the Budget is not approved in the Legislative, execution may be done according to the Bill sent to the National Congress.

■ **Current expenditures:** Decreasing of current expenditures in 2007 equal to 0.10 percentage points of GDP compared with 2006 estimates.

■ **Personnel expenditures:** It will be enforced in 2007 solely those acts providing for the creation, re-structuring or changes in government careers and/or jobs that were introduced as bills in the National Congress until 07/31/2006.

■ **Expenditures in benefits to civil servants:** There are rules to correct civil servants benefits, so that such expenditures, as well as disparities among agencies, are controlled.



Concluding the diagnosis

- There is no fiscal crisis, but...
- Fiscal adjustment based on tax hikes is no longer sustainable
- Potential growth and competitiveness are threatened by high tax burden
- Low inflation makes public expenditures more rigid
- Public Debt Profile has been improved, but the net debt/GDP ratio should decrease more
- Discretionary public expenditure is small, which hinders investment level, but...
- Brazil has chosen to create a vast array of social welfare programs, which has reduced inequality and improved social indicators
- Coalition presidentialism assumes that fiscal adjustment measures require intense negotiation.



Fiscal agenda for the next administration

- Maintenance of public sector consolidated primary surplus of 4.25% of GDP until 2010/11, in order to decrease the net debt/GDP ratio to 40%.
- Multiyear (five to ten years) strategy of tax burden reduction, promoting competitiveness and investment increase, in line with the federative pact.
- The reduction of tax burden should be financed by the reduction of current expenditures relatively to GDP, preserving and rationalizing social expenditures (transfers, health and education).
- Maintenance/elevation of public investment, emphasizing on quality (according to the Investment Pilot Project).

Negotiation and joint discussion of the reduction of tax burden and expenditures cuts are essential to the political feasibility of fiscal agenda, which shall not forfeit priority social programs (e.g. "Bolsa Família") and investments.



Brazilian Overview

Macroeconomic Overview

Fiscal Policy

Public Debt Management

- Annual Borrowing Plan

- Recent Events

 - Domestic Public Debt

 - External Public Debt



2006 Guidelines

- Lengthen the DPF average maturity, primarily by increasing the average term of the securities issued in auctions;
- Reduce the share of debt outstanding in 12 months, thus reducing refinancing risk;
- Gradually replace Selic-indexed and exchange-indexed bonds with fixed-rate and price-indexed ones, thus reducing the market risk;
- Smooth the external public debt profile, reducing refinancing risk and strengthening the sovereign yield curve;
- Stimulate the development of forward interest rate structures (yield curves) for federal public securities on domestic and external markets;and
- Broaden the domestic and external investor base.

Undertaken Hypothesis

- **Fixed Rate Bonds:** increase in the participation of this instrument, lengthening the issuance average maturity. The NTN-F will be important in the borrowing strategy;
- **Floating Rate Bonds** (basic interest rate - Selic): net redemptions and increasing maturities;
- **Price Index Bonds:** net issuances and the consolidation of the interest rate term structure. Increasing the stock of price-indexed securities, with an emphasis on the NTN-B;
- **Exchange Rate Bonds:** NTN-D issuance won't be performed.



Annual Borrowing Plan - Results and Projections - Borrowing Plan 2006

Federal Domestic Debt Indicators

Indicators	2002	2003	2004	2005	Oct/06	2006	
						Minimum	Maximum
Stock of DPMFi held by the public (R\$ billion)	623.2	731.4	810.3	979.7	1,063.0	1,130.0	1,200.0
Average Maturity of DPMFi (months)	33.2	31.3	28.1	27.4	30.3	30.0	35.0
Average Life (month) ¹	-	-	-	40.3	45.4	44.0	52.0
% Maturing in 12 months	41.1	35.3	46.1	41.6	37.8	31.0	36.0

Share of DPMFi (%)							
Fixed rate	2.2	12.5	20.1	27.9	32.8	28.0	37.0
Price Index	12.5	13.6	14.9	15.5	22.3	18.0	24.0
Floating rate	60.8	61.4	57.1	51.8	41.2	39.0	48.0
Exchange rate	22.4	10.8	5.2	2.7	1.6	1.0	3.0
Others	2.1	1.8	2.7	2.1	2.2	2.0	4.0

¹ Since these data have been calculated through the use of the commonly used international methodology, the statistics allow for comparisons with the indicators of other countries.

Federal Debt Indicators*

Indicators	2002	2003	2004	2005	Oct/06	2006	
						Minimum	Maximum
Stock of DPF* held by the public (R\$ billion)	893.3	965.8	1,013.9	1,157.1	1,204.5	1,280.0	1,360.0
Average maturity - Federal Outstanding Debt (months)	42.6	39.0	35.3	32.9	36.0	35.0	41.0
Average Life (month)**	-	-	-	56.3	58.4	60.0	70.0
% Maturing in 12 months	34.6	30.7	39.3	38.2	35.4	28.0	33.0

Share of DPF (%)							
Fixed rate	1.5	9.5	16.1	23.6	29.0	25.0	33.0
Price Index	8.8	10.3	11.9	13.1	19.5	16.0	22.0
Floating rate	42.4	46.5	45.7	43.9	36.4	35.0	43.0
Exchange rate	45.8	32.4	24.2	17.6	13.1	11.0	15.0
Others	1.4	1.4	2.2	1.8	2.0	1.0	3.0

* It includes the external debt under the responsibility of National Treasury

** Since these data have been calculated through the use of the commonly used international methodology, the statistics allow for comparisons with the indicators of other countries.



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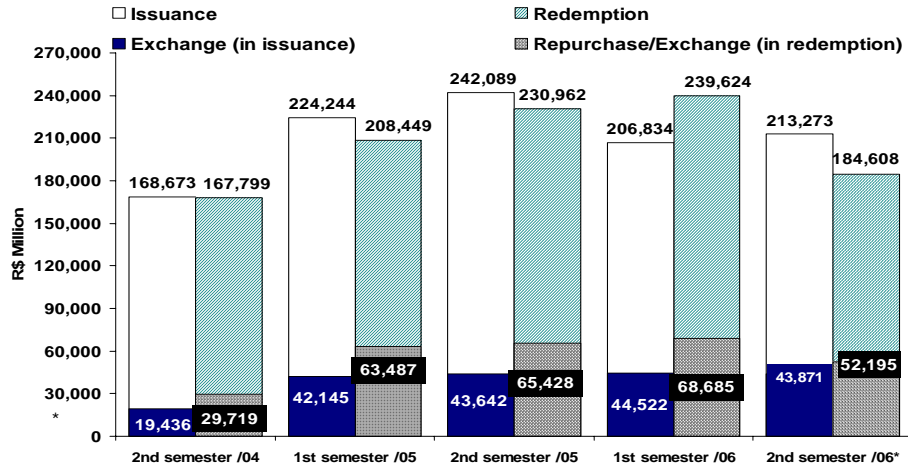
Public Debt Management

- Annual Borrowing Plan
- Recent Events
 - Domestic Public Debt
 - External Public Debt



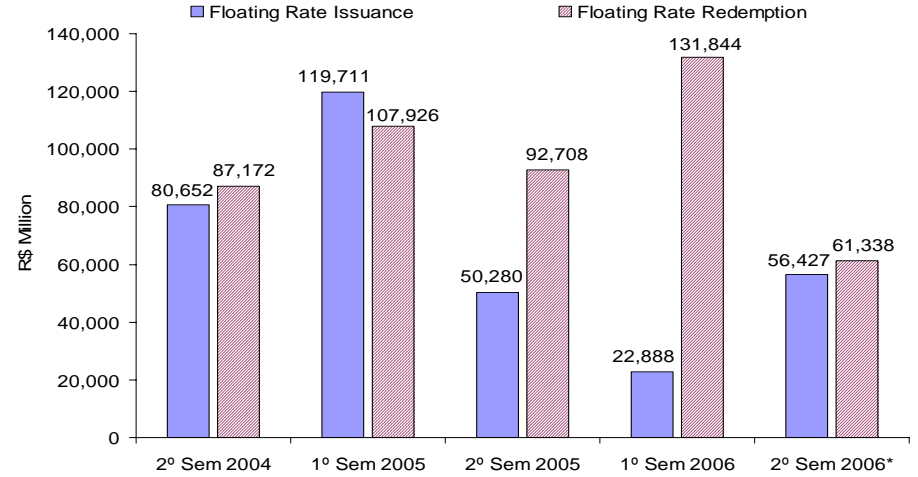
National Treasury Performance

Redemption and Issuance of Public Debt Securities



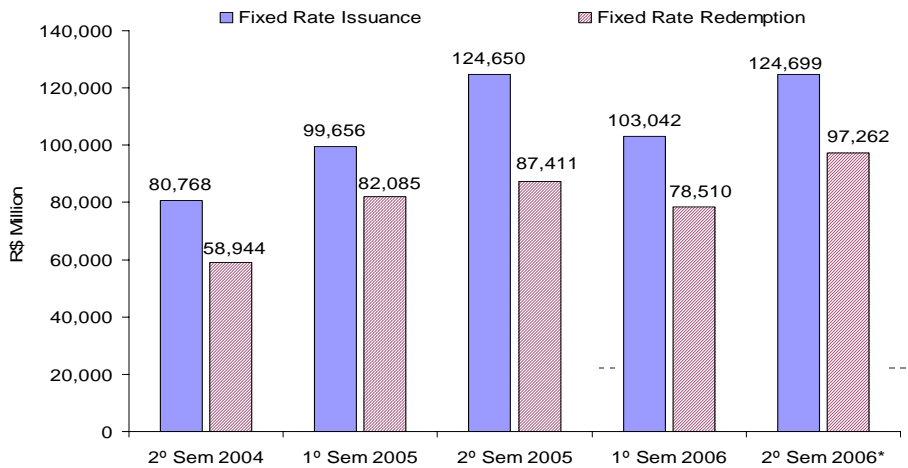
Source: National Treasury * 11/1/06

Redemption and Issuance of Floating Rate Securities



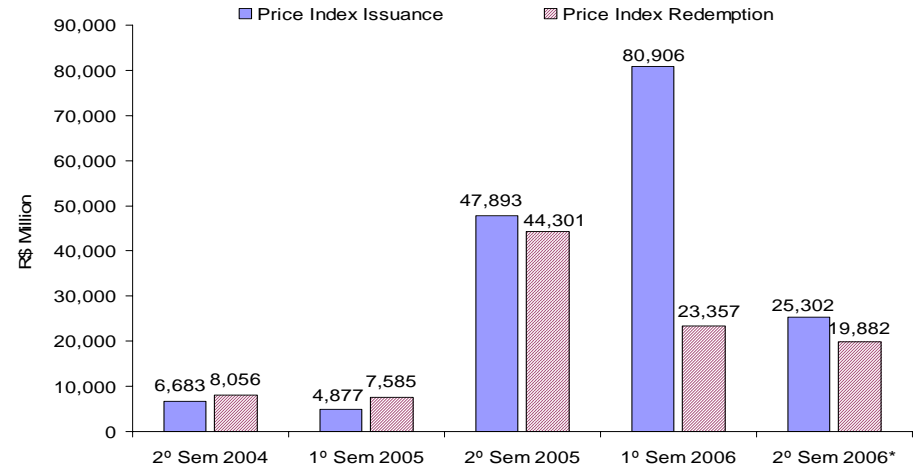
Source: National Treasury * 11/1/06

Redemption and Issuance of Fixed Rate Securities



Source: National Treasury * 11/1/06

Redemption and Issuance of Price Index Securities

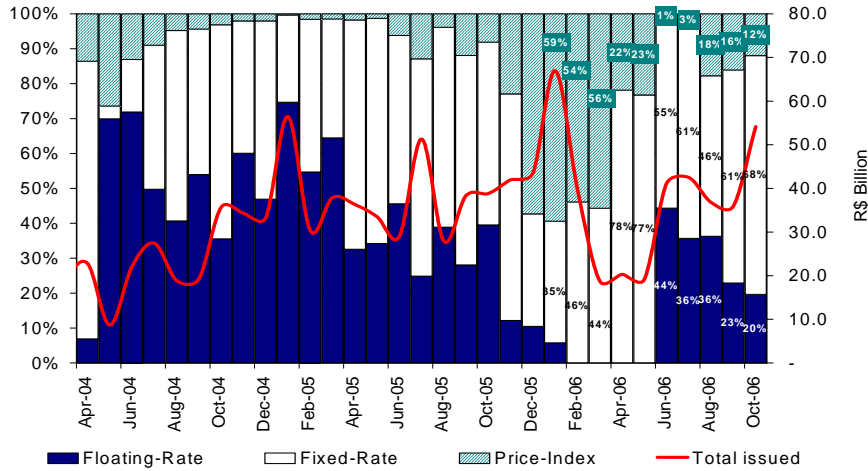


Source: National Treasury * 11/1/06



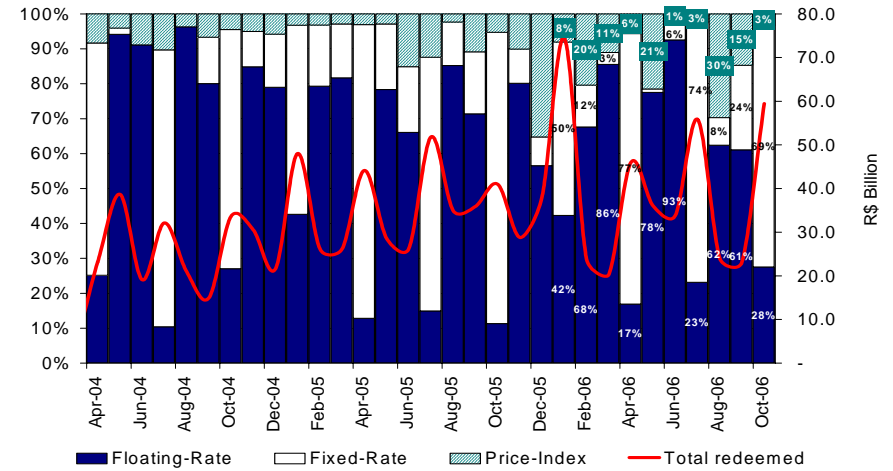
National Treasury Performance

Composition of Public Debt Issuances - Includes Exchange



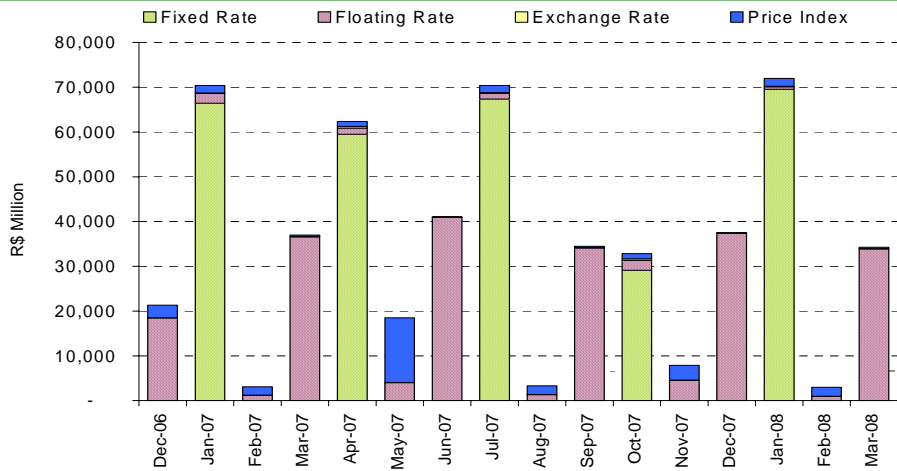
Source: National Treasury

Composition of Public Debt Redemption - Includes Repurchase and Exchanges



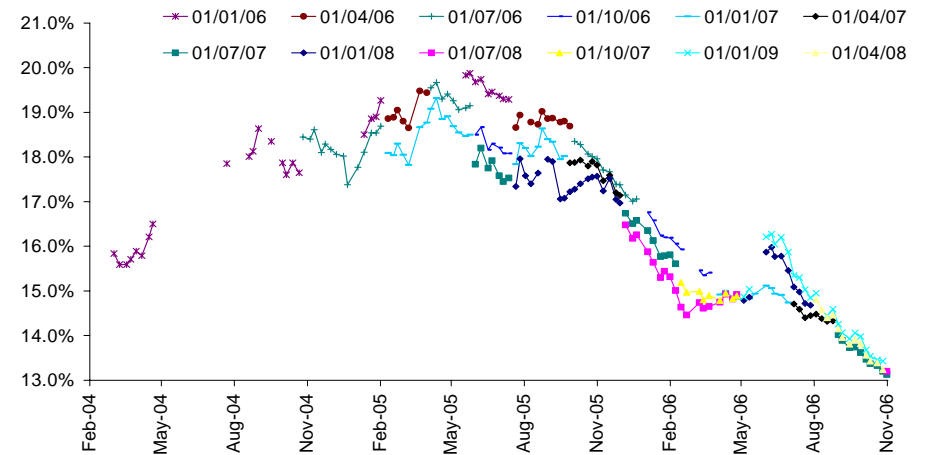
Source: National Treasury

Federal Domestic Public Debt Maturity



Source: National Treasury

Maximum Accepted Rate in LTN Auctions (Fixed Rate)



Source: National Treasury



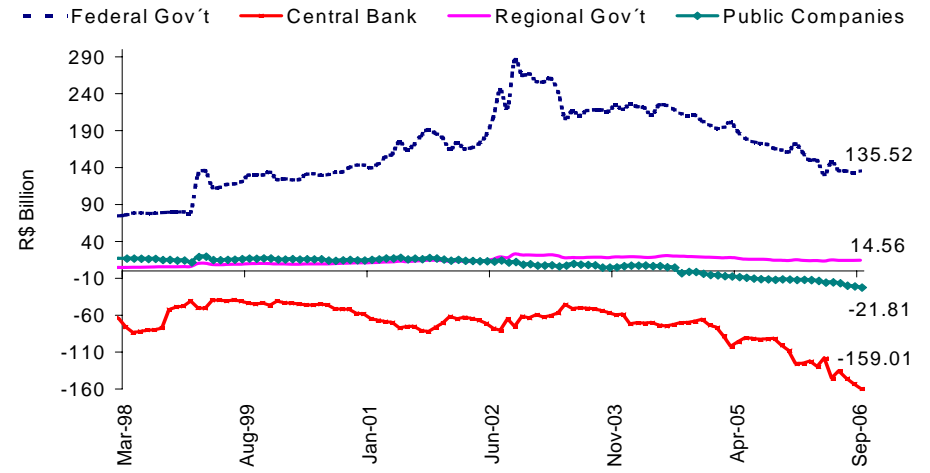
Brazil has built a sort of insurance against external turbulence

Total Net External Debt - R\$ Bn



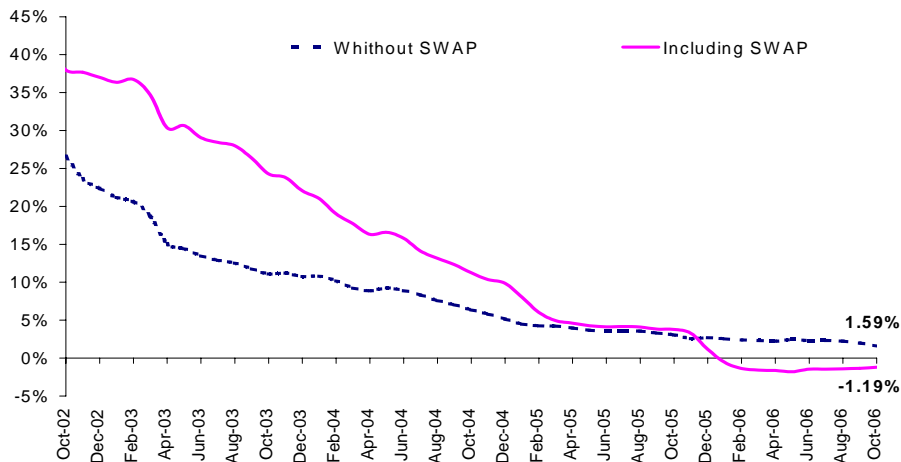
Source: Central Bank

Net External Debt by Gov't Level - R\$ Bn



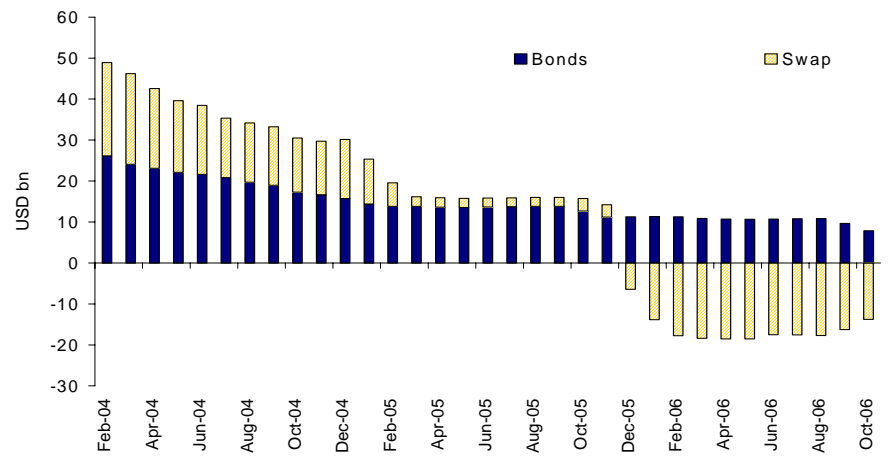
Source: Central Bank

Domestic Exchange Rate Debt as % of Domestic Debt



Source: National Treasury and Central Bank

Domestic Exchange Rate Debt - Stock (US\$ billion)

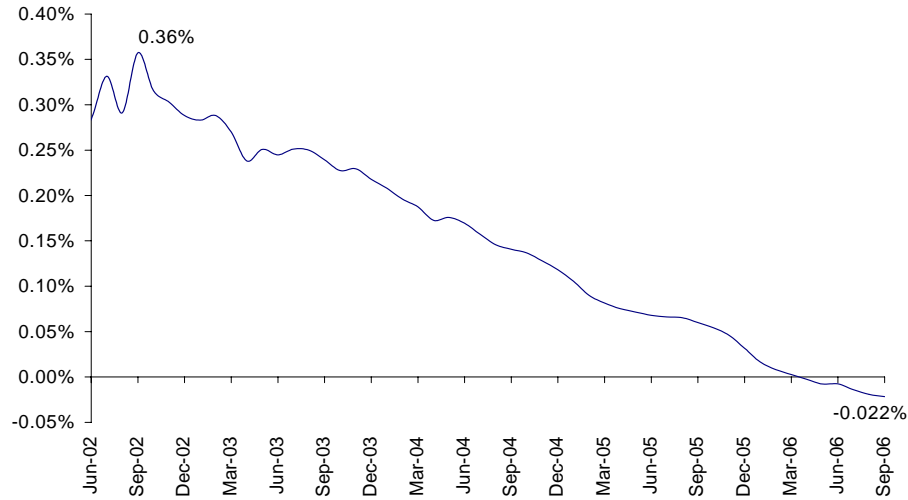


Source: National Treasury and Central Bank



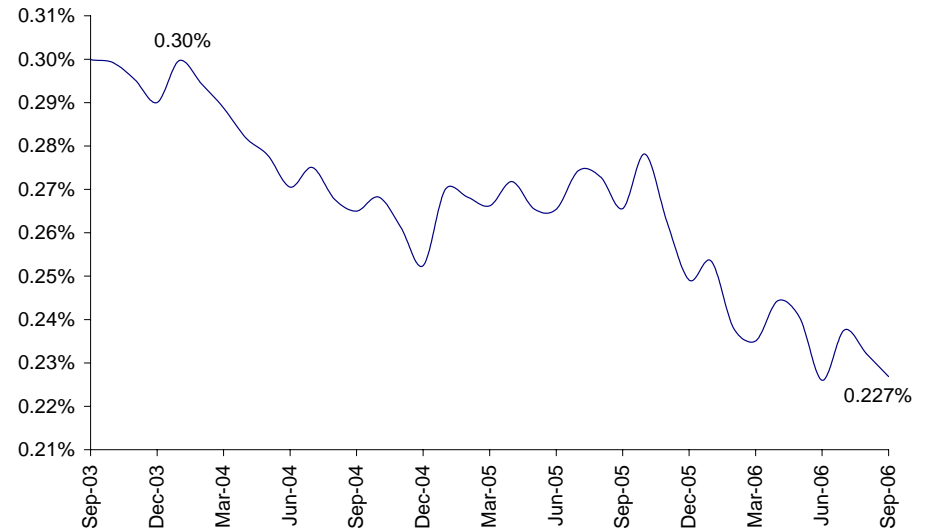
The improvement on the Public Debt composition has reduced the exchange rate and floating rate risks

Impact of 1% FX devaluation on Net PS Debt/GDP



Source: National Treasury

Impact of 1% SELIC change on Net PS Debt/GDP*



Source: National Treasury

*In 12 months



Risk Management

Stress Test over Interest and FX-Rate

Stress Test over Interest and FX-Rate – Impact in the composition

Index	Share of DPF*(%)					Stress Impact (R\$ billion)				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Selic	42.4	46.5	45.7	43.9	36.1	36.0	39.5	38.8	37.3	30.7
FX Rate	45.8	32.4	24.2	17.6	11.2	362.3	256.5	191.5	139.2	88.6
Total	88.2	78.9	69.9	61.5	47.3	398.4	296.0	230.3	176.6	119.3

Stress Test over Interest and FX-Rate – Impact in the outstanding

Index	Share of DPF (%)					Stress Impact (% GDP)				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Selic	42.4	46.5	45.7	43.9	36.1	1.7%	1.8%	1.8%	1.7%	1.4%
FX Rate	45.8	32.4	24.2	17.6	11.2	16.9%	12.0%	8.9%	6.5%	4.1%
Total	88.2	78.9	69.9	61.5	47.3	18.6%	13.8%	10.8%	8.2%	5.6%

Note: The tables above show the risk response of an increase in the outstanding DPF, in a scenario of great and persistent turbulence, associated exclusively with debt profile changes. Stress is represented by a 3 standard deviation shock over the average real SELIC rate and over the real Fx-rate devaluation cumulated in 12-months, evaluated over the outstanding DPF (estimated for Dec-06).

*DPF stands for Federal Public Debt (domestic and external).

DPF Risk reduction:
R\$ 279.1 bn
or 13% of GDP



National Treasury Performance

■ Repurchases:

■ Fixed-rate Securities

- Repurchase of short term securities for the reduction of refinancing risk.

■ Price Indexed

- Repurchase of long term securities for the reduction of transaction costs and increased liquidity;
- Repurchase of NTN-B coupons in order to increase NTN-B market liquidity.

■ Exchanges:

■ Exchange of short term for long term LFT;

- Exchange of floating-rate and other indexed securities for inflation-linked instruments (NTN-B e NTN-C).

Exchange and Repurchases

R\$ Million	2004	2005	2006*
Exchange Operations that affect Average Maturity and Composition	4,255	20,174	36,408
LFT accepted in NTN-B auctions	1,385	18,931	36,396
LFT accepted in NTN-C auctions	2,870	1,243	12
Exchange Operations that affect Average Maturity only	23,902	66,806	26,710
LFT exchange for LFT	18,654	56,482	13,777
NTN-B accepted in NTN-B auctions	720	6,591	9,357
NTN-C accepted in NTN-B and NTN-C auctions	4,528	3,733	3,575
Total Exchange Operations	28,158	86,980	63,118
Early Redemption Operations¹	19,324	40,674	14,344
LTN	13,578	33,733	7,875
LFT	3,961	3,573	238
NTN-B	675	2,106	6,163
NTN-C	1,110	1,262	68
Total Exchange and Early Redemption Operations	47,481	127,654	77,462
% of the Domestic Debt stock	5.9%	13.0%	7.5%

* until August, 2006

¹Refinancing Risk Reduction and Increase in Bonds Liquidity

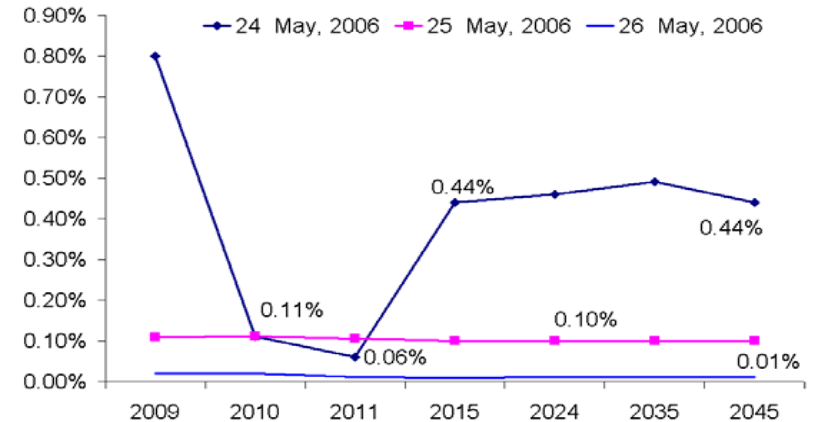
National Treasury Performance

National Treasury intervenes in unstable moment

The Brazilian National Treasury carried through, on May 24, 25 and 26, simultaneous auctions to buy and sell NTN-Bs:

- National Treasury considers the foreign investor an important partner to the improvement and lengthening of the public debt's composition;
- The interventions' guideline was providing prices' parameters to the market in a very unstable scenario;
- Historically, when facing strong fluctuation on market indicators, the National Treasury acts as a market stabilizer agent;
- The auctions' results, in terms of amounts bought and sold, confirm that the Treasury managed to bring the market back to calm levels.

Buy and Sell Auction's Spreads



	24 May, 2006	25 May, 2006	26 May, 2006	Total
	Treasury's Financial Result R\$ mn	Treasury's Financial Result R\$ mn	Treasury's Financial Result R\$ mn	
2006			(144.67)	(144.67)
2007		(23.03)		(23.03)
2008	0.67		44.44	45.10
2009	48.33	(315.42)	42.54	(224.54)
2010	(303.65)	75.34	(656.78)	(885.09)
2011	207.79	(26.44)	185.62	366.97
2015	(24.20)	191.32	(256.89)	(89.77)
2024	(283.93)	(227.43)	19.41	(491.95)
2035	(168.44)	22.00	116.82	(29.61)
2045	(542.93)	(121.88)	489.97	(174.83)
Total	(1,066.35)	(425.54)	(159.53)	(1,651.42)

NET ISSUANCE

NTN-B Auctions

	2005	2006 ¹
Issuance	23.47	35.53
Redemption	(2.08)	(4.53)
Early Redemption*	(8.70)	(13.29)
Exchange	27.28	46.26
Buy and Sell Auction	-	(1.65)
Issuance	-	2.33
Early Redemption	-	(3.98)
Net Issuance	39.96	62.32

¹ Until July 2006

*It includes the NTN-B received as payment on the Exchange auctions



National Treasury Performance

■ Creation of Benchmarks:

■ Fixed-rate securities

- Maturities defined in a way to coincide with dates of maturity of contracts in the futures market;
- Creation of a medium term yield curve of fixed-rate (issuance of NTN-F, 6 and 8 years).

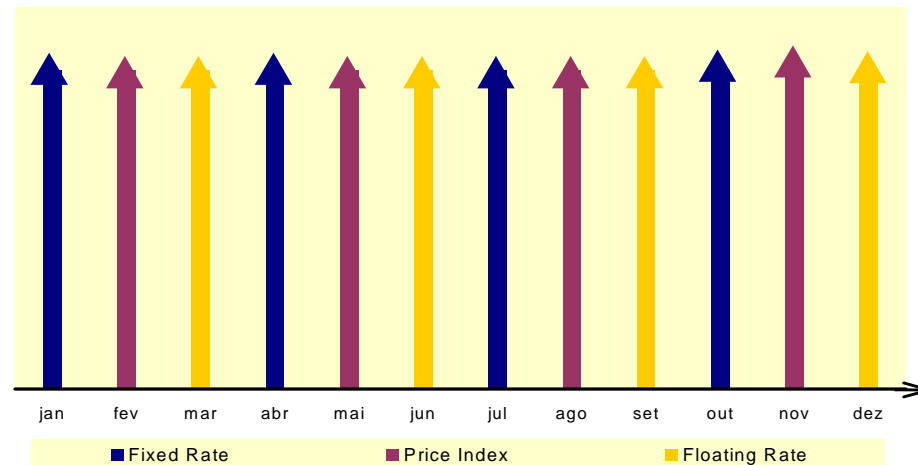
■ Floating - Rate Securities

- Longer maturities concentrated in different months from those established for fixed-rate securities.

■ Public Debt Cash Reserves

- The Treasury increased its cash reserves, enhancing the reliability on the government's capacity of the debt payment.

Creation of Benchmarks





National Treasury Performance

New fixed-rate bonds issuance pattern

Aiming the improvement of the domestic public debt management, the fixed-rate bonds issuance pattern has been altered.

■ Previous pattern

- NTN-F - redemptions occur only in January;
- “Long Term” LTN - redemptions occur only in January and July;
- “Medium Term” LTN - redemptions occur in the first month of every quarter;
- “Short Term” LTN - redemptions occur in the first month of every quarter;
- Maturing amount - the strategy takes into consideration the total amount maturing at every three month period.

■ New pattern

- NTN-F - redemptions occur only in January (redemptions may occur also in July for the 3 years benchmark);
 - Benchmark maturity at issuance: 3, 5 and 7 years.
- LTN - redemptions occur in the first month of every quarter.
 - Benchmark maturity at issuance: 6 and 18 months.
- Maturing amount - the strategy takes into consideration the total amount maturing at every three month period.



Market Measures

■ New Dealers System (National Treasury and Central Bank)

- Primary Dealers group:
 - Primary issuances and money market operations, maximum of 12 institutions;
- Specialists Dealers group:
 - Secondary market operations, maximum of 10 institutions.

■ New System Goals

- To increase liquidity in the secondary market;
- To increase competition in the public bond market;
- To reduce public debt financial costs and to improve its profile; and
- To increase data availability to the National Treasury and the Central Bank.

- Creation of new fixed-income indexes - they will be a comparative reference for the yield of investment funds.

Index	Return	Maturity
IRF-M*	LTN ¹ e NTN-F ²	All
IMA-B	IPCA ³	All
IMA-B5	IPCA	≤ to 5 years
IMA-B5+	IPCA	> than 5 years
IMA-C	IGP-M ⁴	All
IMA-C5	IGP-M	≤ to 5 years
IMA-C5+	IGP-M	> than 5 years
IMA-S	SELIC ⁵	All
COMPOUND (IMA)	Average of the fixed-rate indexes family, including the existing IRM-F (composed by LTN and NTN-F)	All

1) Short-term fixed-rate bonds

2) Long-term fixed-rate bonds

3) Consumer Price Index

4) General Price Index

5) Overnight rate

* Issuance in 2000



Market Measures

- **Creation of Asset *Clearing*** - developed by the BM&F (Brazilian Mercantile & Futures Exchange), as a complement to SISBEX (electronic system of negotiation and record), the new instrument **provides a series of benefits for the fixed-income market, in particular the possibility of negotiating federal public bonds**, and it is aimed at strengthening the secondary market, in addition to reducing the operational risks involved;
- **Creation of the CETIP Negotiation Platform** - allows for carrying out several operations on-line, including the negotiation of fixed-income bonds (public and private) and a modality of term operations in auctions of National Treasury Bonds.



Market Measures

- The **Investment Account**, effective since of October 2004, was elaborated after a pooled work among the National Treasury, the Central Bank and the Federal Revenue Secretariat. It **exempts from the CPMF (a tax on financial transactions) the transfer of funds across financial investments:** (i) provide similar treatment to investment funds and other investments; (ii) enhance competition in the investment funds industry; (iii) increase liquidity in the secondary market; and (iv) help in the diversification of the investors base.
- **Tax incentives to hold longer term securities** - The initiative gives **different tax treatment to short, middle and long-term investments, providing incentives to the latest one**, for both fixed and variable income investments. This measure, effective as of January 1st 2005, aims to strengthen the capital market and to stimulate long-term savings, besides contributing the National Treasury debt management.
- **Creates new pre-funded pension schemes and life insurance instruments that will benefit from lower income taxes (MP 209/2004)**- As of January First, 2005, the income tax paid when realizing the gains from a new type of open pension fund and from a life insurance policy with survivor payments will be decreased 5 p.p each two years, starting in 35% for the first two years and reaching rates as low as 10% after 10 years.

Maturity	Income Tax
Up to 180 days	22.5%
From 181 to 360 days	20.0%
From 361 to 720 days	17.5%
Above 720 days	15.0%

Maturity of the resources accumulation	Income Tax
Less or equal 2 years	35%
Between 2 and 4 years	30%
Between 4 and 6 years	25%
Between 6 and 8 years	20%
Between 8 and 10 years	15%
Above 10 years	10%



Market Measures

Joint Initiatives: Presenting Brazil to Investors

■ Opening of the capital market for foreigners

■ BEST¹:

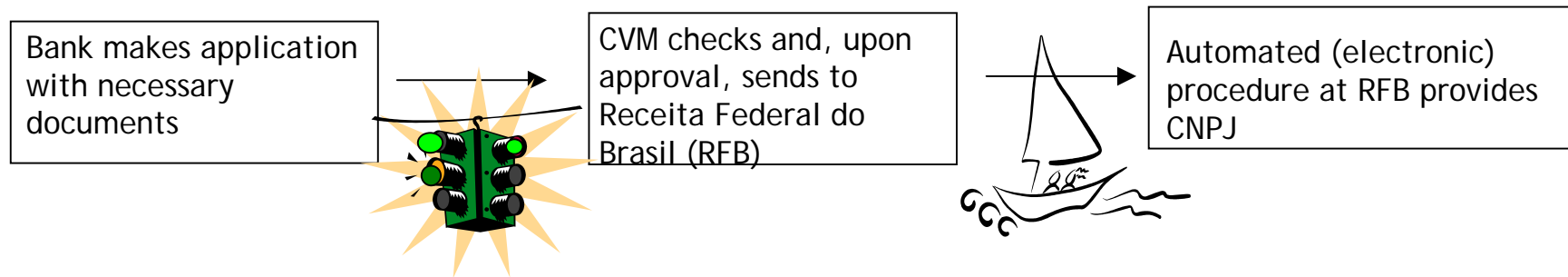
- a group created to systematically promote the Brazilian financial and capital markets to the international investors community, improve the knowledge of participants, regulators and infra-structure providers about the needs and of foreign investors;
- enter in a learning process that could rise Brazil´s market competitiveness and offer an accurate picture of the Brazilian Capital Market´s safety, efficiency and reliability
- This initiative consists of road shows, seminars and other activities in the main financial centers all around the world
- The Brazilian Securities and Exchange Commission - CVM and the Central Bank - BCB also participate in this initiative reinforcing the soundness of the regulatory framework and the organization of the Brazilian Financial System.
- The BEST Brazil initiative is a unique forum to get the most comprehensive information on the developments and opportunities to invest in Brazil and to establish a close relationship with the most prominent representatives of the Brazilian Capital Market.
- Participants:
 - BOVESPA: Brazil´s Stock Exchange
 - CBLC: Brazilian Clearing and Depository Corporation
 - BM&F: Brazilian Mercantile and Futures Exchange
 - BCB: Brazilian Central Bank
 - CVM: Brazilian Securities and Exchange Commission
 - TN: Brazilian National Treasury

¹ BEST- Brazil: Excellence in Securities Transactions (www.bestbrazil.org.br)

Market Measures - Facilitating foreign investment

Integration and streamlining of registration procedures

- The Ministry of Finance and CVM (Brazilian Security Exchange Commission) have worked to open the Brazilian markets for many years
 - Res. 2689 of 2000 eliminated most distinctions between institutional and other non-resident investors and limited registering requirements to a CVM code and the CNPJ from the Federal Revenue Service (Receita Federal).
 - Processing time at CVM was reduced from up to 30 days to 24 hours
- Receita and CVM are working to streamline CNPJ (*corporate register*) procedures
 - All processes to obtain a CNPJ have been centralized and automated, improving service consistency. The CNPJ is now delivered no more than 24 hours after the application is approved by CVM.
 - Investors still rely on a custodian bank, which will also be the responsible for paying all due taxes.





Market Measures - Brazil exempts non-resident investors of income tax on gains in the domestic federal public debt

Law 11.312 (06/27/2006) - Improving the Public Debt Structure

Bullet points:

- Exemption of Income Tax for non-resident investors on gains in domestic public debt bonds;
- Exemption of Income Tax for Venture Capital Funds;
- Exemption of CPMF for “Over the Counter” IPOs of Brazilian equities.

Goals:

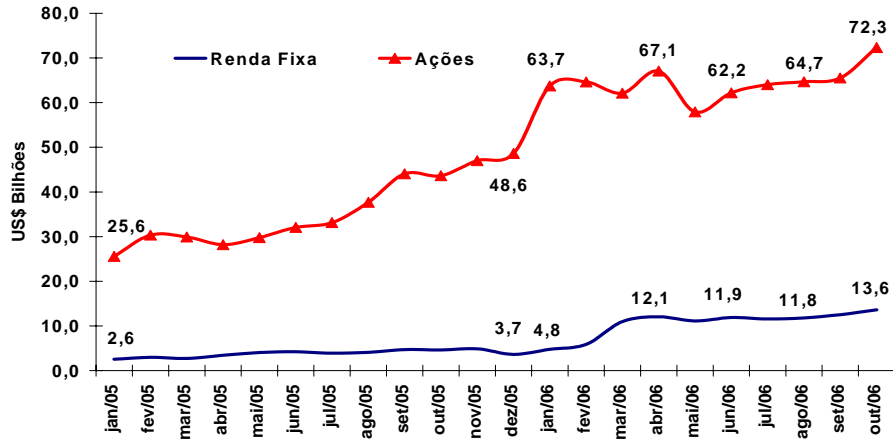
- Line up Brazilian fiscal treatment to the best standards in the other Emerging Markets;
- Reduce the cost of the Domestic Federal Public Debt;
- Increase the demand on inflation indexed bonds and fixed rate bonds;
- Extend the average maturity of domestic debt.

The positive effects caused by expectations on a significant increase of the demand of foreign investors for domestic public debt have already been priced in the Brazilian Public Debt Bonds curve.



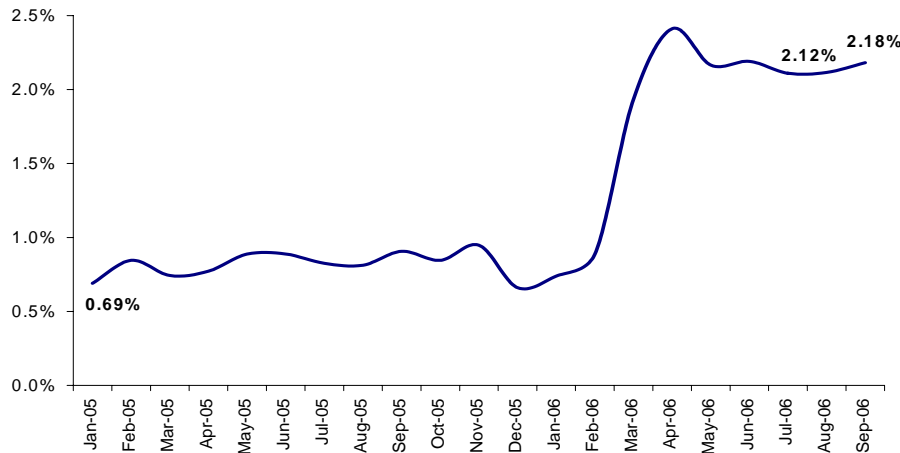
THE NEW FRONTIER: increasing foreign access to the fixed income market

Foreigner's Investors: Portfolio level (US\$ bn)

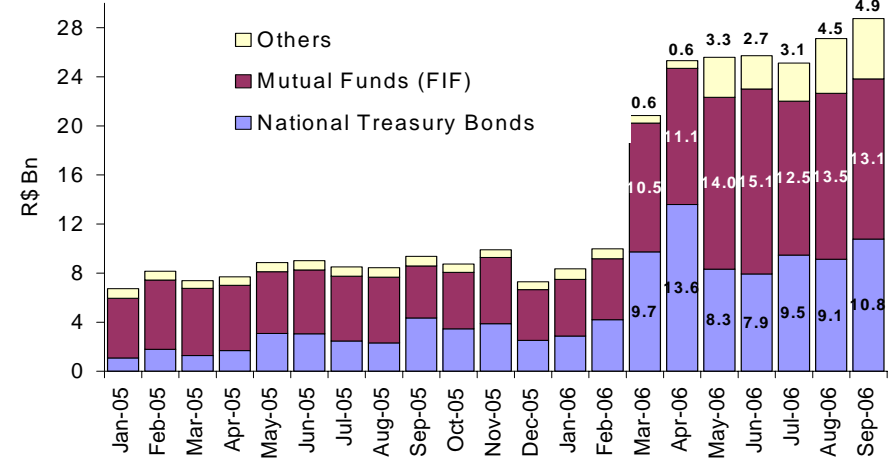


Source: CVM

Foreigner's Investors: Domestic Debt Participation



Foreigner's Investors: Distribution among Fixed Income instruments (R\$ bn)



Source: CVM

- Considering both the public bonds and the mutual funds, little variation has been observed from the turbulence in May-06.
- These investments sum R\$ 22.0 bn, R\$ 22.7 bn and R\$ 23.8 bn respectively in July, August and September-06.



Market Measures - More transparency and liquidity for Federal Public Bonds

COMPARE - Online System of Federal Public Bonds Quotation

- The ANDIMA (Brazilian National Association of Financial Market Institutions) launched it in June-06. It's a system that allows investors to check on-line information of transactions with bonds registered in the SELIC (clearing and settlement public debt bonds house);
- The new system, called COMPARE, releases to investors real time information regarding prices and volumes of federal public bonds negotiated in the secondary market;
- More transparency stimulates a bigger liquidity in this market. Particularly in Brazil, this is extremely important;
- There are several investors that would rather be outside the market, than buying these bonds too cheap and facing problems with the regulatory institutions later. More transparency and information means bringing these investors back to the market.



Brazilian Overview

Macroeconomic Overview

Fiscal Policy

Public Debt Management

- Annual Borrowing Plan
- Recent Events
 - Domestic Public Debt
 - External Public Debt



A steady level of public external debt with improved profile

“Cleaning Up” the External Debt

- Jul-05: Pre payment of IMF obligations (USD 4.9 bn);
- Aug-05: C-Bond vs A-Bond exchange (USD 4.5 bn);
- Sep-05: Issuance in Reais - BRL 2016 (USD 1.5 bn);
- Oct-05: Exercise of the call option embedded on the C-Bonds (USD 1.1 bn);
- Dec-05: Pre payment of IMF obligations (USD 15.5 bn);
- Jan-06: Announcement of pre payment of Paris Club debt (USD 1.7 bn);
- Jan-06: Beginning of the early redemption of bonds with maturity until 2010 and Brady Bonds (USD 5.8 bn until October/06);
- Apr-06: Exercise of the call option embedded on the Brady Bonds (USD 6.5 bn);
- Jun-06: External Debt Tender Offer, repurchasing USD 1.3 bn (face value).
- Jul-06: External Debt Exchange Offer, exchanging 2020, 2024, 2024B, 2027, 2030 Global bonds by the Global 2037 (around USD 0.5 bn);
- Aug-06: Treasury disclosed its new external financing strategy, based on qualitative issuances;
- Sep-06: Treasury extended its buyback program in order to include securities maturing also up to 2012;
- Sep-06: Issuance in Reais - BRL 2022 (USD 0.74 bn)
- Oct-06: BRL 2022 reopening (USD 0.30 bn)
- Nov-06: Issuance - Global 2017 (USD 1.5 bn) - the lowest spread since 1995.

By not meeting the maximum values announced on the Tender Offer (USD 4.0 bn) and the Exchange Offer (USD 1.5 bn), investors reveal their comfortable position with holding the Gov't securities.



A steady level of public external debt with improved profile

Impact of the “Cleaning Up” on the Federal Government External Debt

	(US\$ bn)
Operations	Face Value ¹
External Public Debt in Bonds	14.7
C-Bond call (Oct-05)	1.1
Early Redemption Program ² (Jan-Oct/06)	5.8
Brady Bonds call (Apr-06)	6.5
Tender Offer (Jun-06)	1.3
Contractual Debt	22.1
IMF early payment I (Jul-05)	4.9
IMF early payment II (Dec-05)	15.5
Paris Club early payment (Jan-06 ³)	1.7
Total	36.8

¹ It captures the impact of the operations on the outstanding public debt

² The program started in January. The value of US\$ 5.8 bn refers to the bonds repurchased up to october 2006.

³ Announcement



External Public Debt

External Borrowing Program for 2006/2007/2008

Federal Government Consolidated Table - US\$ mn				
	2006*	2007	2008	TOTAL
a) Debt in Securities	1.517,61	8.510,39	6.436,06	16.464,06
b) Multilateral Organisms (contractual)	227,61	1.269,37	1.313,16	2.810,15
c) Private Creditors	93,94	823,16	535,47	1.452,58
d) Early Foreign Currency purchase	1.629,67	3.403,78	-	5.033,45
e) Gross Foreign Currency requirement (a + b + c - d)	209,49	7.199,14	8.284,70	15.693,33
f) Multilateral Org. Expected resources (IADB and IBDR)	133,70	1.197,99	966,11	2.297,80
g) Net Foreign Currency requirement (e - f)	75,79	6.001,15	7.318,59	13.395,53

* For 2006 it corresponds to Nov-Dec period.

- Foreign currency needs for external debt payments until 2008 should be acquired in the local domestic FX market or, alternatively, by means of purchasing Brazilian Central Bank foreign reserves.
- Foreign currency issuances shouldn't aim at raising FX resources for financing needs in this period. They are going to be qualitative in nature, observing market conditions, aiming at consolidating the foreign yield curve by means of construction and maintenance of benchmark bonds;
- This strategy might include BRL issuances in international markets, aiming at constructing a foreign yield curve denominated in Brazilian local currency;
- Maintenance of the buy-back program, observing market conditions;
- Maintaining the strategy of correcting the foreign yield curve distortions;



External Public Debt

Issuance Amounts

Issues	Launch Date	Settlement Date	In US\$ million		Maturity	Yield	Spread ¹	EMBI BR at issuance
			Total					
2005 Program								
Global 2019	10/06/04	10/14/04	1,000		15 years	9.15%	492	445
Global 2014*	12/03/04	12/08/04	500		10 years	8.24%	398	411
Euro 2015	01/20/05	02/03/05	650		10 years	7.55%	398 ²	433
Global 2025	01/31/05	02/04/05	1,250		20 years	8.90%	431	417
Global 2015	02/28/05	03/07/05	1,000		10 years	7.90%	353	391
Global 2019*	05/10/05	05/17/05	500		14 years	8.83%	458	420
Global 2034*	05/25/05	06/02/05	500		29 years	8.81%	440	427
Global 2015*	06/21/05	06/27/05	600		10 years	7.73%	363	407
Total Issued			6,000					
2006/2007/2008 Program								
Global 2025*	09/06/05	09/13/05	1,000		20 years	8.52%	417	399
Global BRL 2016	09/19/05	09/26/05	1,479		10 years	12.75%	-	364
Global 2015*	11/09/05	11/17/05	500		10 years	7.77%	312	347
Global 2034*	11/29/05	12/06/05	500		28 years	8.31%	363	349
Global 2037	01/10/06	01/18/06	1,000		30 years	7.57%	295	280
Euro 2015*	01/30/06	02/03/06	362		9 years	5.45%	185 ³	262
Global 2037*	03/16/06	03/23/06	500		31 years	6.83%	204	225
Global BRL 2022	09/06/06	09/13/06	743		15 years	12.88%	-	218
Global BRL 2022*	10/05/06	10/13/06	301		15 years	12.47%	-	228
Global 2017	11/07/06	11/14/06	1,500		10 years	6.25%	159	212
Total Issued			7,885					

Source: National Treasury

¹ In basis points (local currency), at issuance date.² Spread over Deutsche Premier Bond 2015³ Spread over the 9-year mid-swap interest rate

* Reopening Issuance



Brazil issued 10 and 15 year bond denominated in real on the external market

Market Performance - Global BRL 2016 and Global BRL 2022

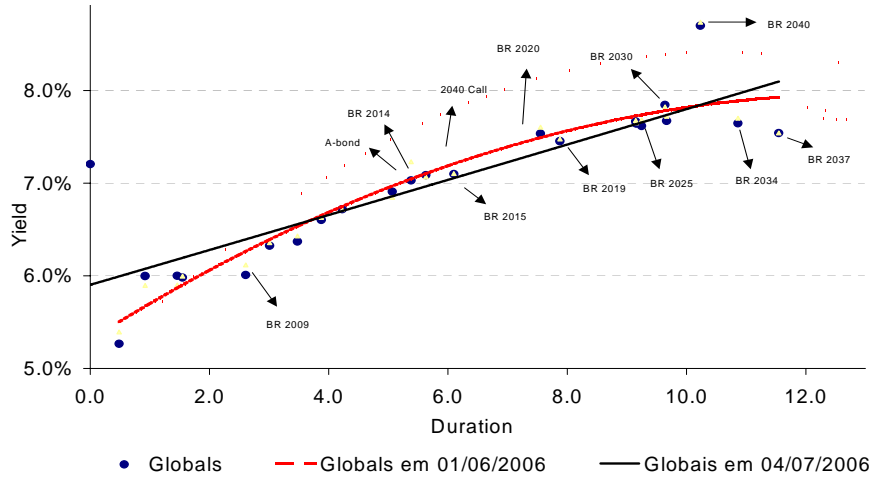
- On September 2005, was issued the first bond denominated in local currency (Global BRL 2016).
 - Amount issued: USD 1.5 billion.
 - Sold at 98.636% of its face value yielding 12.75% p.y..
- On September 2006, the Republic issued the second security denominated in local currency (Global BRL 2022).
 - Issuance of USD 750 million.
 - Sold at 97.563% of its face value yielding 12.875% p.y..
- On October 2006, the Republic reopened the bond (Global BRL 2022) raising its outstanding amount to USD 1.05 billion.
 - Sold at 100.25% of its face value yielding 12.466% p.y..

Lengthening the external fixed rate curve denominated in local currency by 5 years

This stimulates the lengthiness of domestic fixed rate curve.

External Public Debt

Globals Curve



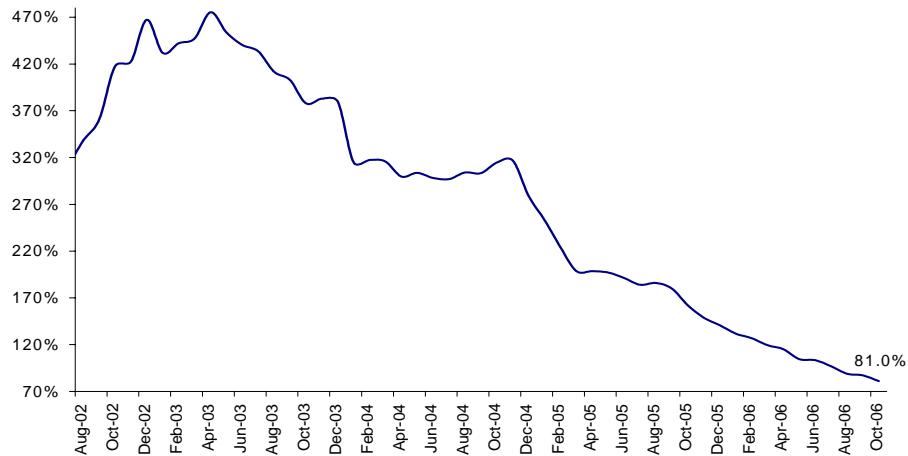
Source: National Treasury

Embi Brazil



Source: Bloomberg

External Public Debt as a % of Net Reserves

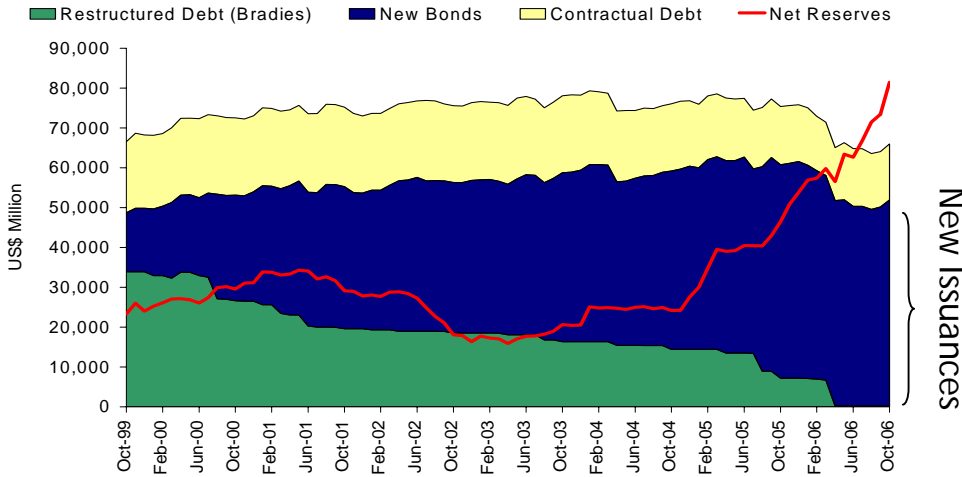


Source: National Treasury and Central Bank

EXTERNAL PUBLIC DEBT

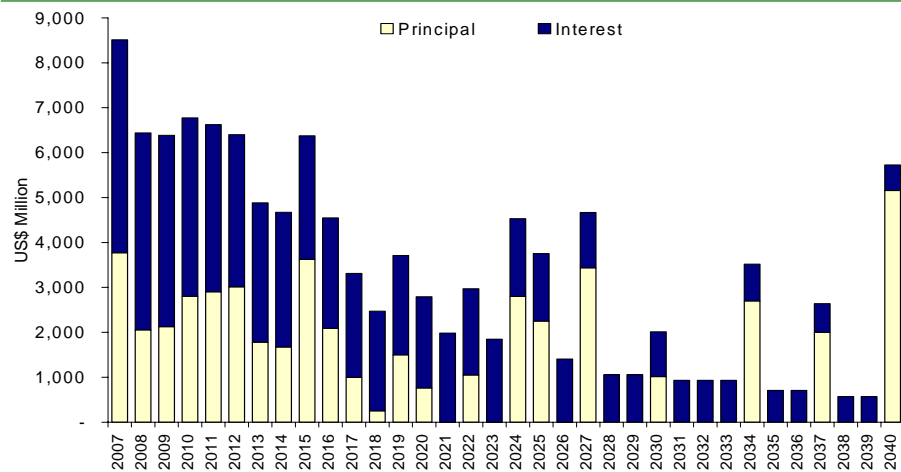
External Public Debt

External Debt - National Treasury



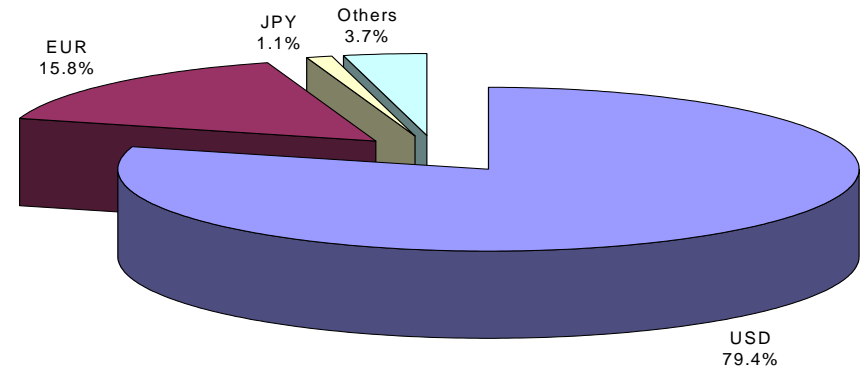
Source: National Treasury

External Public Debt Profile - New Bonds and Bradies



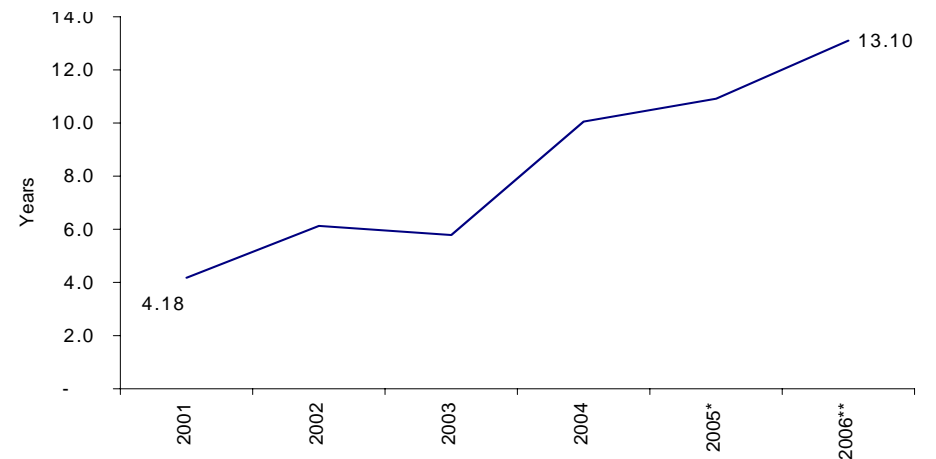
Source: National Treasury.

Composition of External Debt- by currency (October 2006)



Source: National Treasury

Average Maturity - At Issuance of New Bonds



Source: National Treasury *Does not include the A-bond.

** As of November/06

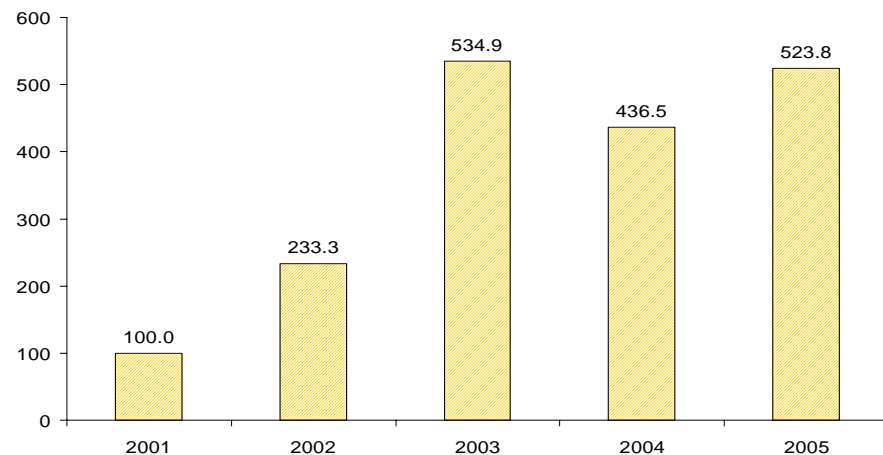


External Public Debt

Expanding the investor base in the international market

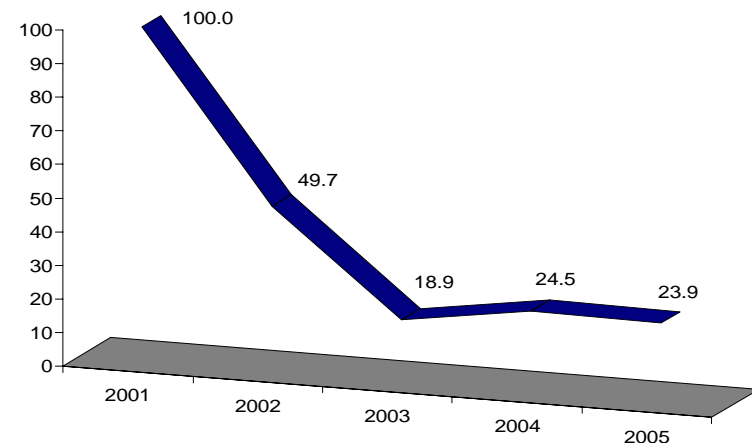
- Annual Borrowing Plan (since 2001) and Annual Report on the Debt Management (since 2004);
- Dialog with investors: road shows, meetings in Brasilia, teleconferences, e-mail list with the analysis of new legislation, developments on the public debt, etc;
- Development of own cross-country analysis with a focus on quantitative fundamentals;
- Dialog with Rating Agencies;
- Easy-to-understand, although diversified products: continuing to develop the yield curve, judicious reopening;
- Negotiation of Brazilian Bonds at EuroMTS - The listing brings more liquidity to Brazilian bonds and it is another step to foster relations with investors. The Euro 2011 and Euro 2012 bonds, each with more than € 1 billion outstanding, are the first Brazilian bonds to be traded.

Average Number of Investors per Issue in US\$ (allocation; 2001=100)



Source: National Treasury

Average Allocation per Investor in US\$ (2001=100)



Source: National Treasury



Brazil - the first country that satisfied all the investor relations best practice criteria in Institute of International Finance (IIF) report

Investors Relations: An approach to Effective Communication and enhanced transparency -

- Assessment of 30 key borrowing countries in Investor Relations and Data Transparency Practices.
- **First Release (Dec-05)** - Brazilian's Government reached 37 out of 38 in prioritized terms.
- Measures:
 - Staff reachable through website
 - Reciprocal links between government agencies
 - Investors able to register for website subscription
 - Investor conference call
 - Regular self-assessment of investor relations activities.
- **Second Release (Sep-06)**: Based on the combined score (Gerin, operated by the Central Bank of Brazil, and Investor Relations Office of the National Treasury), Brazil has become the first country to score 38 out of 38 in prioritized terms.



**For additional information access
Brazilian National Treasury site:**

www.tesouro.fazenda.gov.br

Or contact Institutional Relations area:

brazildebt@fazenda.gov.br

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