



Federal Public Debt Management

Annual Public Debt Report 2008

Annual Borrowing Plan 2009



January 2009

B R A S Í L I A

Annual Debt Report - ADR 2008

- Results Achieved
- Events in Public Debt Management

Annual Borrowing Plan - ABP 2009

- Assumptions and Guidelines
- Strategy and Expected Results

Results Achieved

Evolution of the Federal Public Debt (FPD) Main Indicators

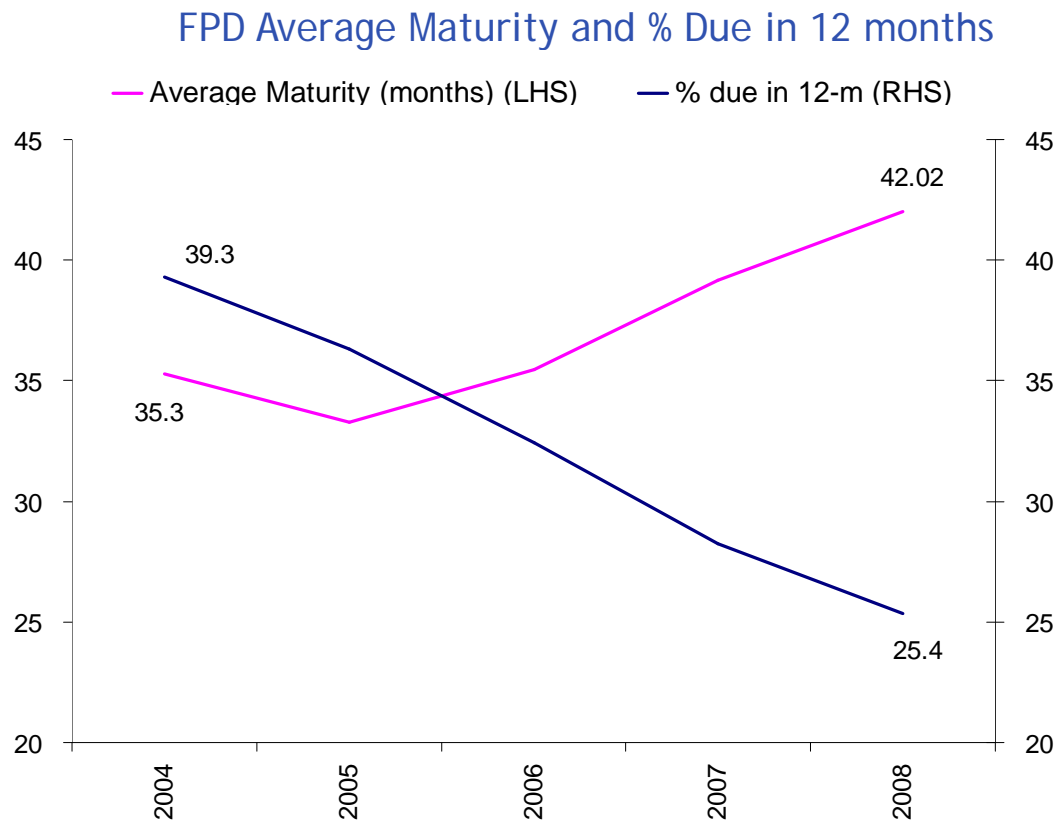
- 2008 was remarked by instability deepening in international scenario, with effects on domestic financial market. On the other hand, Brazilian main economic indicators robustness, particularly the primary balance, allowed greater flexibility to the FPD.
- The Brazilian National Treasury adopted a more prudent strategy, considering the changes in market parameters, reducing the bonds issuance, in especial the fixed rate ones.
 - Timely attitude to reestablish credible references on debt management in the short term, assuring predictability and transparency to investors.

Indicators	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	ABP-2008*	
							Minimum	Maximum
Stock of FPD held by the public (R\$ bn)	965.8	1,013.9	1,157.1	1,237.0	1,333.8	1,397.3	1,360	1,420
Average Maturity (months)	39.0	35.3	33.3	35.5	39.2	42.0	42	46
% Maturing in 12 months	30.7	39.3	36.3	32.4	28.2	25.4	24	27
Share of FPD								
Fixed Rate (%)	9.5	16.1	23.6	31.9	35.1	29.9	29	32
Inflation Linked (%)	10.3	11.9	13.1	19.9	24.1	26.6	25	29
Floating Rate (%)	46.5	45.7	43.9	33.4	30.7	32.4	31	34
FX Linked (%)	32.4	24.2	17.6	12.7	8.2	9.7	7	9
Others (%)	1.4	2.1	1.8	2.0	1.9	1.4	1	3

Results Achieved

Evolution of the Average Maturity and of the % Due in 12 Months

- As a result of the strategy adopted by the National Treasury in the last years, there's been an increase in the Federal Public Debt average maturity and a reduction in the percentage due in 12 months.

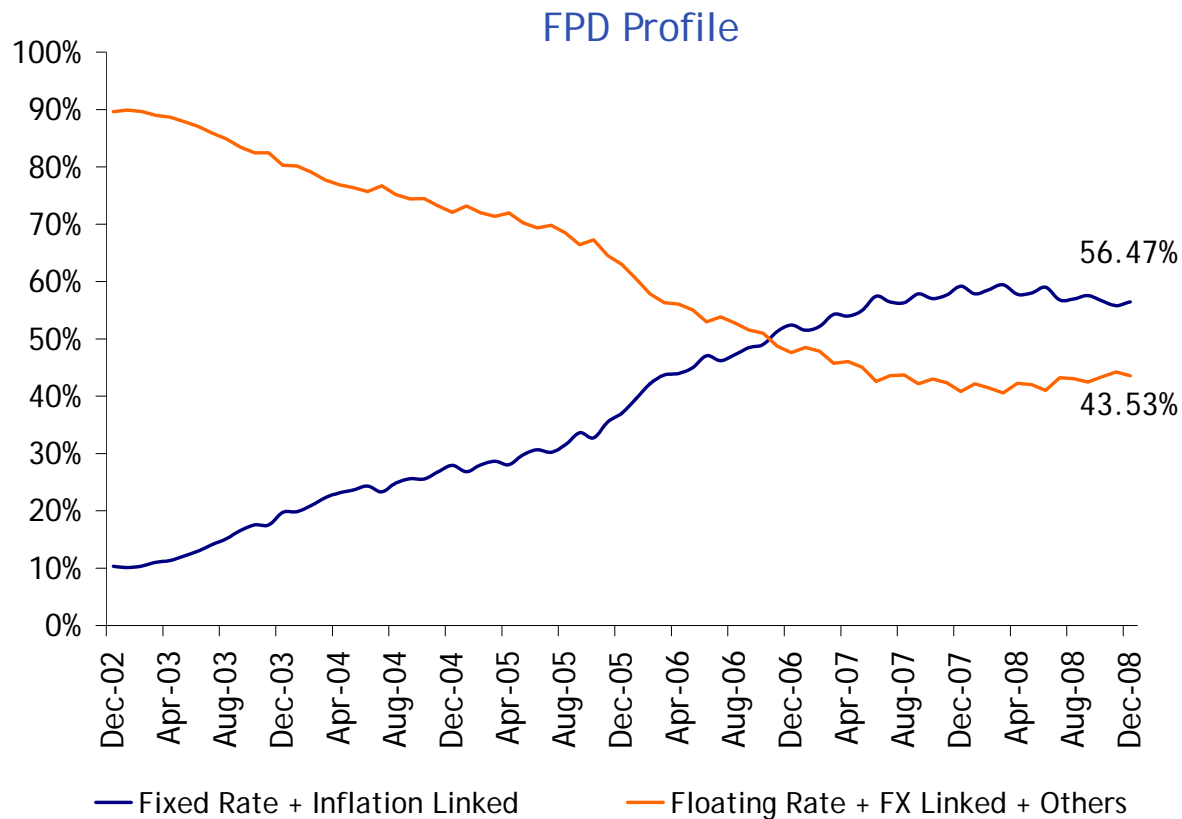


Source: National Treasury

Results Achieved

Evolution of Federal Public Debt Profile

- Gradual change in the FPD profile since 2002, maintaining the fixed rate and the inflation linked shares higher than FX linked and floating rate shares (which are subjected to greater volatility).



Source: National Treasury

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Events in Public Debt Management

Brazil receives the "Investment Grade"

- Standard & Poor's and Fitch Ratings granted the Investment Grade status in Apr-08 and Mar-08, respectively, for the Long Term Foreign Currency Brazilian Debt.

Brazil	2003	2004	2005	2006	2007	2008
S & P	B+	BB-	BB-	BB	BB+	BBB-
Fitch	B+	BB-	BB-	BB	BB+	BBB-
Moody's	B2	B1	Ba3	Ba2	Ba1	Ba1

Source: Rating Agencies

- These upgrades reflect the consolidation of good macroeconomic fundamentals, such as:
 - Improvement of the FPD profile, through the reduction of the FX exposure, while increasing the fixed rate share.
 - Maintenance of a responsible fiscal policy.
- The ratings were revised by these agencies in a context of a deep external turmoil in 2008, confirming the Brazilian position as one of the most important countries for those who seek safe investments in the long-term.

Events in Public Debt Management

Buyback Program Results

Buyback Results, by security - US\$ th

	Asset	Buyback in 2008
GLOBAL	BR08N	0
	BR08	0
	BR09F	0
	BR09	5,000
	BR10	16,140
	BR10N	35,500
	BR11	0
	BR12	0
	BR13	25,000
	BR14	35,000
	BR15	29,000
	BR17	0
	A Bond	213,364
	BR19	23,200
	BR20	17,528
	BR24	21,650
	BR24N	9,602
	BR25	61,000
	BR27	136,850
	BR30	49,590
BR34	130,893	
BR37	0	
BR40	342,000	
Face Value - Total (US\$)		1,151,317

- Throughout 2008, there have been bought US\$ 1.5 bn in financial value, equivalent to US\$ 1.2 bn in face values.
- Since 2006, the repurchases at the Buyback Program reached US\$ 15.5 bn in financial value (US\$ 12.7 bn in face values).
- With these early redemptions, the FPD volatility was reduced, downsizing market and refinancing risks, while improving the debt profile.

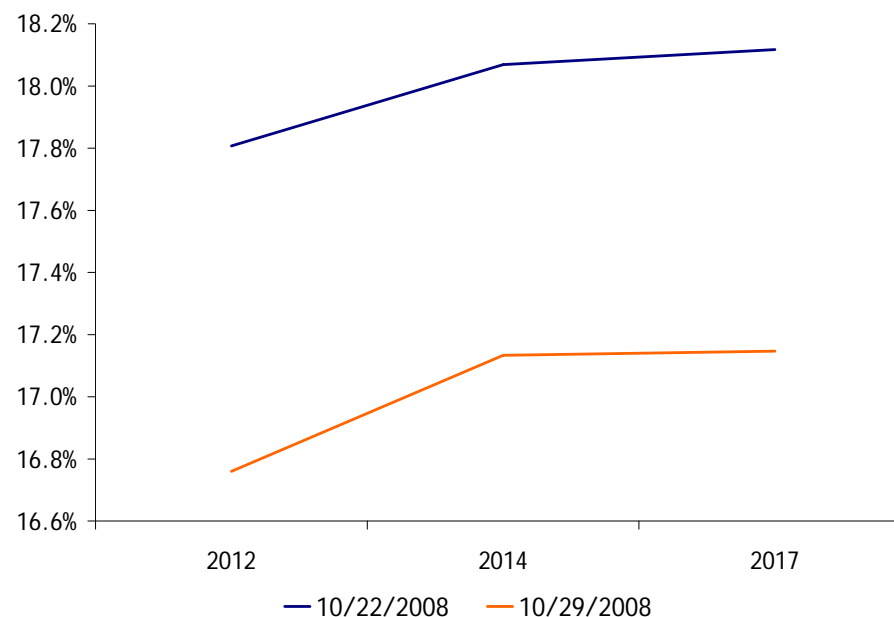
Note: Global Bonds denominated in US\$
Source: Brazilian National Treasury

Events in Public Debt Management

NTN-F (fixed rate) Spread auctions

- The Treasury performed four simultaneous auctions amidst the high volatility in the financial market;
- The purpose was to assure, to market participants, price parameters and avoid the deterioration of the correlated bond markets due to increasing premium at the time.
- Early redemption of R\$ 206 mn, of which, R\$ 1.14 bn and R\$ 228.7 mn respectively in the first three auctions and net issuance of R\$ 309.8 mn in the last auction.

NTN-F yield curves before and after the auctions



Source: Andima

- This allowed few investors to unwind their positions without compromising the portfolio of those who intended to hold their securities.

Events in Public Debt Management

Treasury Direct Program

- The National Treasury will continue to stimulate the broadening of Treasury Direct Program*, which, in its seven years of existence, has augmented the alternatives of private savings broadening the access to public debt bonds.
- In 2008, the Program presented expressive results: the number of registered investors increased 41.7% and the total amount sold increased 102.5%, totaling R\$ 1,558 mn.
- It is expected that the number of registered investors will continue to grow in 2009, adding to the 145,939 registered at the end of 2008.

* An internet based retail sales program.

Events in Public Debt Management

Permanent Institutional Strengthening of Public Debt Management

- Highlighted performance at the *LAC Debt Group* - Brazil hosted the first visit of the group, which involved 35 participants from 21 countries;
- Advances in the Integrated Public Debt System (SID), enlarging the process of continuous modernization of public debt management;
- Brazil continues to lead the ranking of *Investors Relations Practices and Transparency* released by the International Institute of Finance (IIF), which evaluates the dissemination of information on the public accounts among emergent countries;
- The Brazilian National Treasury reopened, as of May 7th, the Global 2017, amounting US\$ 525 million. The issuance, which showed a demand much higher than the offer presented the lowest issuance cost ever incurred by a Brazilian sovereign issuance abroad, with a 5.299% p.y. yield;
 - The Global 2017 reopening, as of May 7th, was considered by the *Emerging Markets* the best Latin America sovereign issuance in 2008;
 - The issuance also won the "*Latin America - Bond of the Year*" prize rewarded by the *International Finance Review* - IFR.

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Annual Borrowing Plan - 2009

Federal Public Debt Planning

To minimize long-term financing costs, ensuring the maintenance of prudent risk levels and contributing to the well functioning of the public bond market.

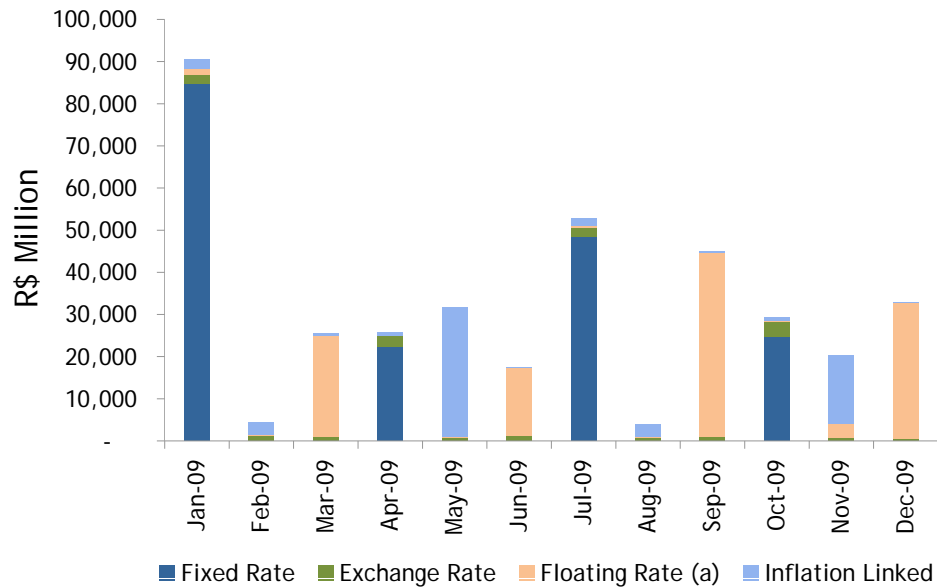
Guidelines

General guidelines that direct FPD management, given the market conditions:

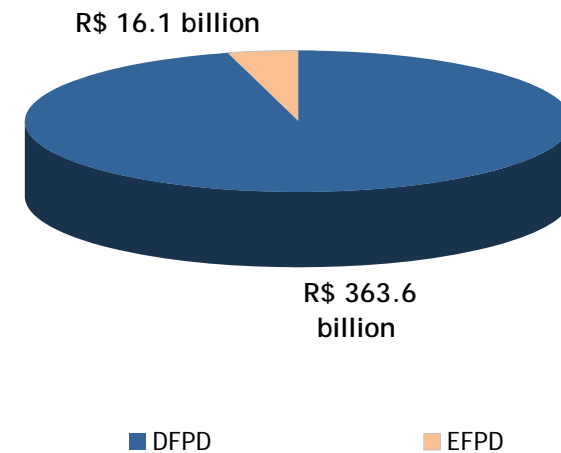
- ✓ Lengthening of average FPD maturities and reducing the percentage of FPD maturing in 12 months;
- ✓ Gradual substitution of floating-rate securities for fixed-rate or inflation-linked securities;
- ✓ Improvement of the external debt profile through issuance of benchmark bonds, early redemption program and structured operations;
- ✓ Incentives to the development of the term structure of interest rates for federal public securities on domestic and external markets; and
- ✓ Expansion of the investor base.

Annual Borrowing Plan - 2009

FDP Maturities (Total = R\$ 379.7 billion)



Source: National Treasury



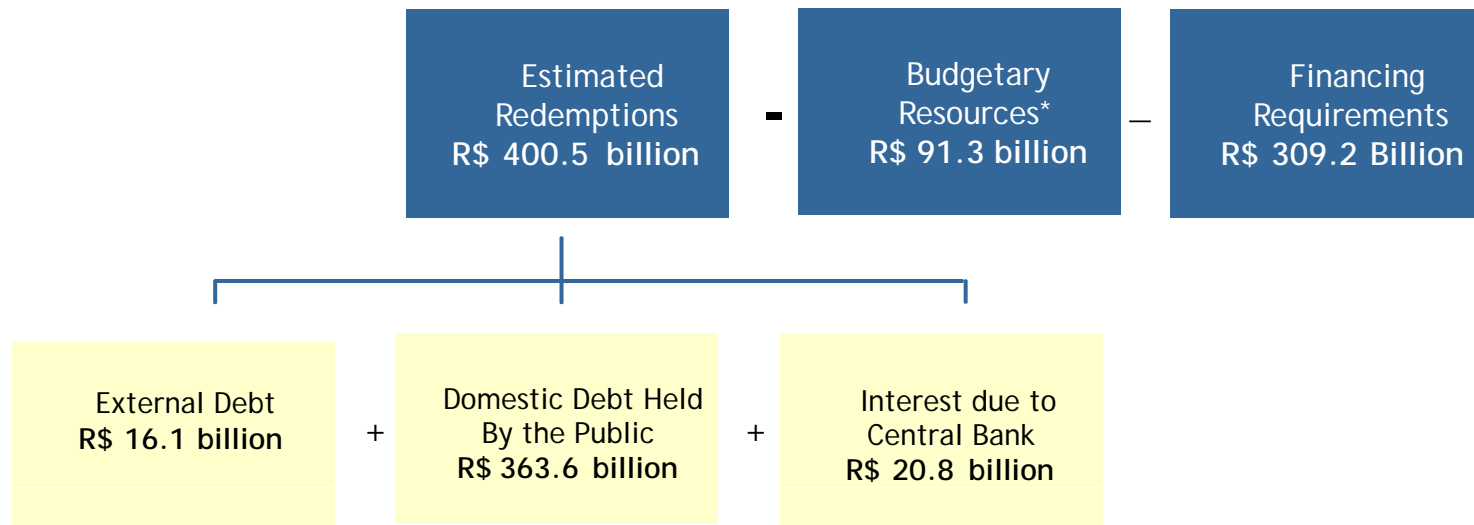
Source: National Treasury

	R\$ billion		
	Principal	Interest	Total
FDP	301.1	78.6	379.7
DFPD	294.7	68.9	363.6
EFPD	6.4	9.7	16.1

Source: National Treasury

Annual Borrowing Plan - 2009

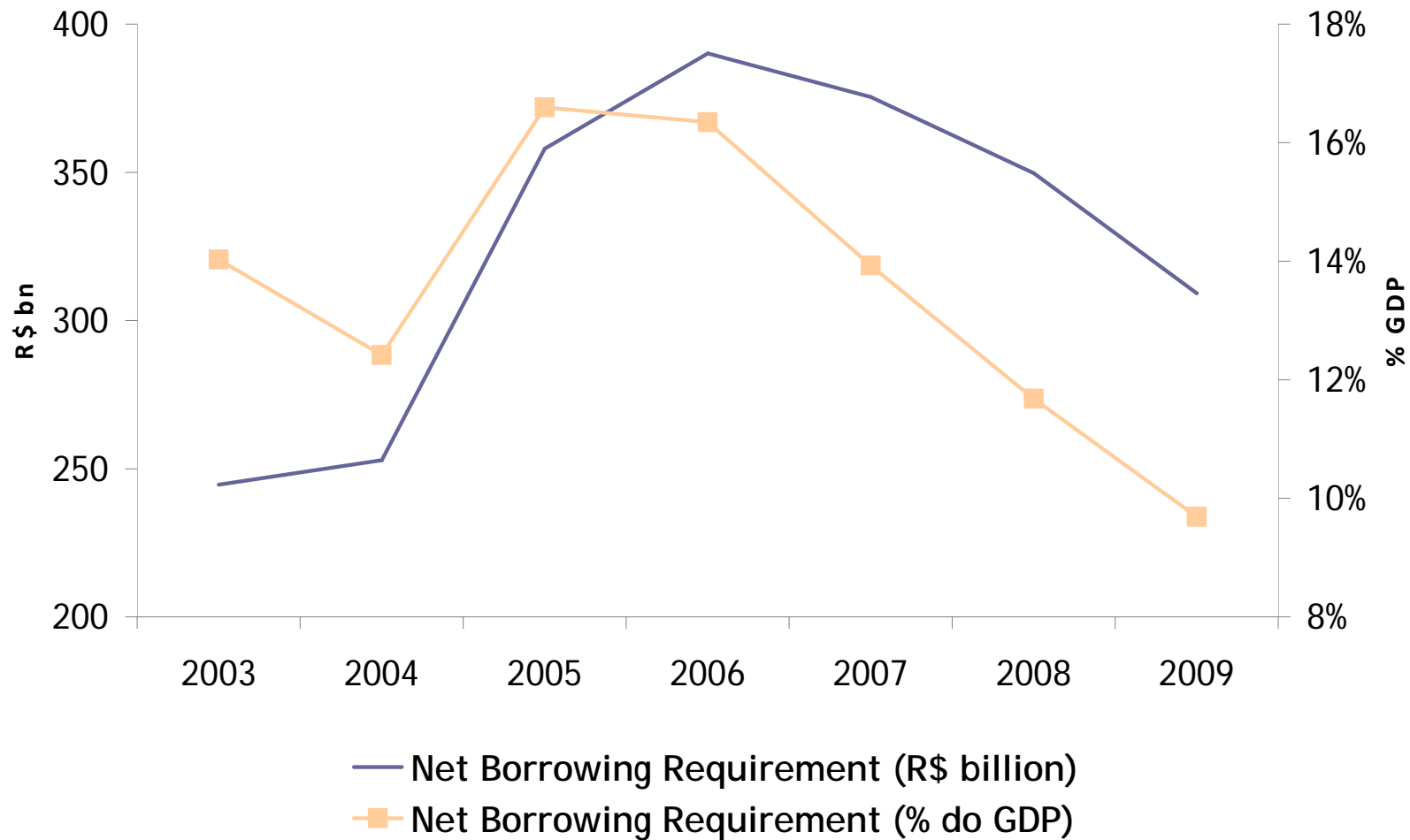
National Treasury Borrowing Requirement



* Values approved in the Budget 2009 Bill (Law n ° 11,897 -30/12/08). Do not include the resources from Central Bank positive balance sheet and the 2008 Budget Surplus.

Annual Borrowing Plan - 2009

Evolution of Borrowing Requirement



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Financing Strategy of the Domestic Federal Public Debt - DFPD

■ Fixed Rate Securities:

- ✓ The LTN will have benchmarks of 6, 12 and 24 months, and the NTN-F will have maturities of 3, 5 and 10 years, given the market conditions;

■ Inflation Linked Securities:

- ✓ The financing strategy for 2009 will be only the issuance of inflation linked securities (NTN-B);
- ✓ The maturities of NTN-B offered throughout 2009 will be of 3, 5, 10, 20, 30 and 40 years, depending on the market conditions;

■ Floating Rate Securities

- ✓ The new bonds will have maturities in the third month of each quarter;
- ✓ The average issuance maturity will be superior to the FPD's observed at the end of 2008 (around 3,5 years).

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Financing Strategy of the External Debt - EFPD

- ✓ Creation and Improvement of benchmarks in the external market yield curve;
- ✓ Maintenance of the Early Redemption Program;
- ✓ Possibility of performing external liability management operations, aiming at increasing the external interest rate curve efficiency.

The Brazilian National Treasury will maintain its strategy of qualitative issuances, in light of the reduced external financing requirement for 2009, besides having already acquired more than 50% of foreign currency for the external debt service (principal and interest).

Annual Borrowing Plan - ABP 2009

Expected Results - FPD

Indicators	2008	Limits to 2009	
		Minimum	Maximum
Outstanding (R\$ Billion)			
	1,397.3	1,450.0	1,600.0
Profile (%)			
<i>Fixed Rate</i>	29.9%	24.0%	31.0%
<i>Inflation Linked</i>	26.6%	26.0%	30.0%
<i>Floating Rate</i>	32.4%	32.0%	38.0%
<i>Exchange Rate</i>	9.7%	7.0%	11.0%
<i>Others</i>	1.4%	1.0%	2.0%
Maturity Structure			
<i>Average Maturity (Months)</i>	3.5	3.4	3.7
<i>Percentage Maturing in 12 Months</i>	25.4%	25.0%	29.0%

- ✓ Expectation of maintenance of the FPD current composition, consolidating the gains in terms of refinancing and market risk reduction;
- ✓ Percentage of fixed rate securities + inflation linked securities above SELIC + Exchange Rate;
- ✓ Percentage maturing in 12 months below 30% and stable average maturity; and
- ✓ The upper limit for outstanding debt includes the possibility of specific issuances to assist the supply of the local credit and the maintenance of government's strategic investment programs.

**For additional information access
the Brazilian National Treasury website:**

www.tesouro.fazenda.gov.br

Or contact the Institutional Relations area:

brazildebt@fazenda.gov.br

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