



Ministério da Fazenda

 **TESOURO NACIONAL**

AUGUST - 2008
BRASÍLIA



Annual Borrowing Plan 2008 - Revision



Annual Borrowing Plan 2008

Objectives of Federal Public Debt Management

Minimize long-term financing costs, while ensuring the maintenance of prudent risk levels and contributing to the smooth operation of the public bonds market.

Guidelines, According to Market Conditions

- Lengthening of average DPF (Federal Public Debt) maturities and reducing the percentage of DPF maturing in 12 months;
- Gradual substitution of floating-rate bonds for fixed-rate or inflation-linked bonds;
- Improvement of the external liability profile through issuance of benchmark bonds, early redemption program and structured operations;
- Incentives to the development of the interest rate term structures for federal public bonds on domestic and external markets; and
- Expansion of the investors base.



Economic Conjuncture

- Fiscal Policy: strong primary surpluses
- External Sector: comfortable levels of reserves and financeable deficit in current account
- Monetary Policy: Inflation under control
- Economic Stability: sustainable growth and high investment rates
- Instability deepening in international scenario throughout the year, with effects on domestic financial market



New Targets for the Annual Borrowing Plan 2008

Changes in 3 limits

Federal Public Debt - DPF

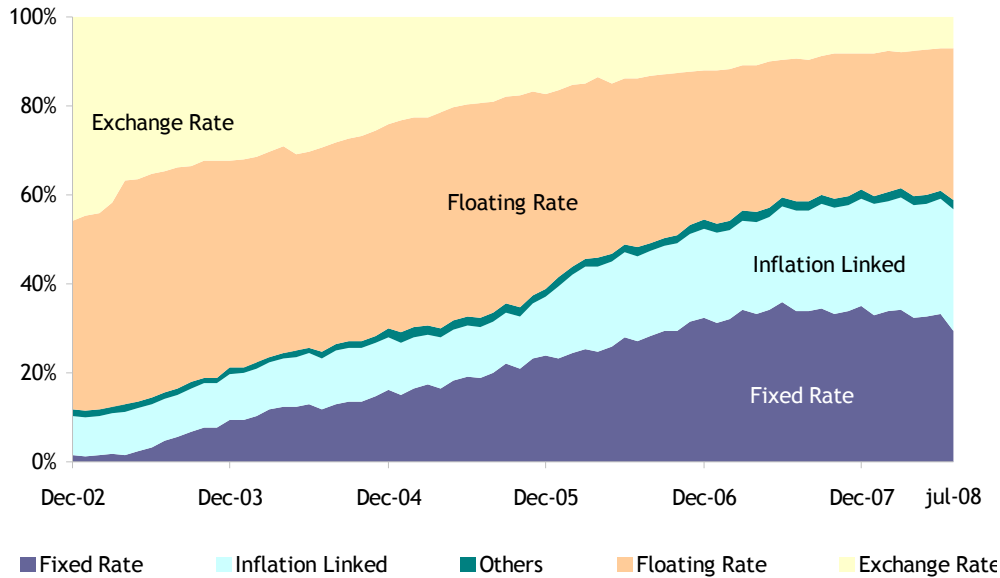
Indicators	Dec/07	Previous Limits	New Limits
Stock (in R\$ billion)	1,333.8	1,480 - 1,540	1,360 - 1,420
Composition (%)			
<i>Fixed Rate</i>	35.1	35 - 40	29 - 32
<i>Inflation Linked</i>	24.1	25 - 29	25 - 29
<i>Floating Rate</i>	30.7	25 - 30	31 - 34
<i>Exchange Rate</i>	8.2	7 - 9	7 - 9
<i>Others</i>	1.9	1 - 3	1 - 3
Maturity Profile			
<i>Average Maturity (months)</i>	39.2	42 - 46	42 - 46
<i>% maturing in 12 months</i>	28.2	24 - 27	24 - 27

- The Treasury decision aims to avoid that short term fluctuations cause impacts in DPF financing costs in the medium and long run

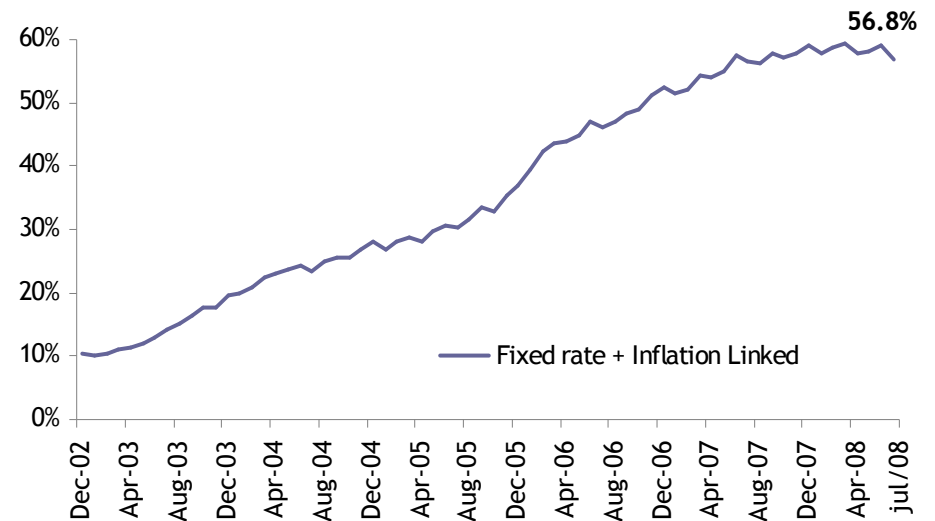


Market Risk: Notable improvement in the DPF composition...

DPF Composition



Fixed Rate and Inflation linked participation in DPF



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■ Fixed rate bonds together with inflation linked bonds are consolidated as the main DPF financing instruments



... reducing in 15% of GDP its market risks in stress situations. This higher strengthen to external shocks allows the National Treasury to change the adjustment pace of the DPF profile.

DPF

Index	Participation in the DPF total (%)			Stress Impact (R\$ billion)		
	2003	2007	2008*	2003	2007	2008*
Floating Rate	46.5	30.7	34.2	72.39 (4.2%)	47.75 (1.8%)	53.2 (1.8%)
Exchange Rate	32.4	8.2	7.1	256.2 (14.7%)	64.95 (2.4%)	56.27 (1.9%)
Total	78.9	38.9	41.3	328.6 (18.8%)	112.7 (4.2%)	109.47 (3.2%)

* The reference DPF stock is July 2008.

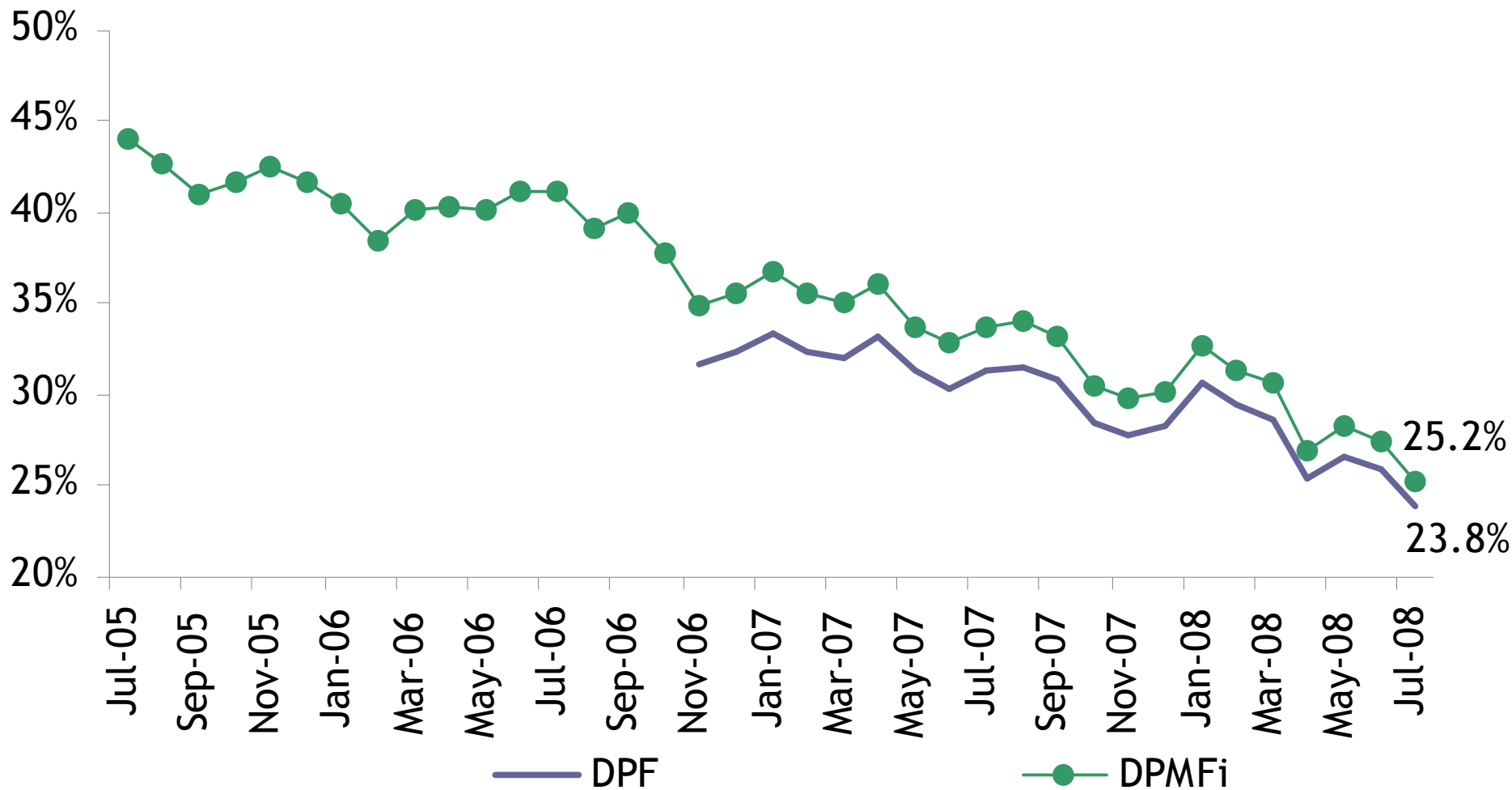
Note: Parenthesis mean in terms of % of GDP (GDP accumulated in 12 months adjusted by IGP-C index)

The table above shows the risk evolution of an increase in DPF stock in situations of strong and persistent turbulences, associated exclusively with changes in debt composition. Stress means a shock of three standard-deviations over the average of the real floating rate (SELIC) and of the real exchange rate devaluation accumulated in 12 months, applied over the stock and composition of the DPF. The stress scenario is applied for a one year-period on the floating rate (SELIC) debt and, instantaneously, for the correction of the exchange rate debt.



Financing Risk: percentage due in 12 months reduces constantly, stabilizing in values under 25%.

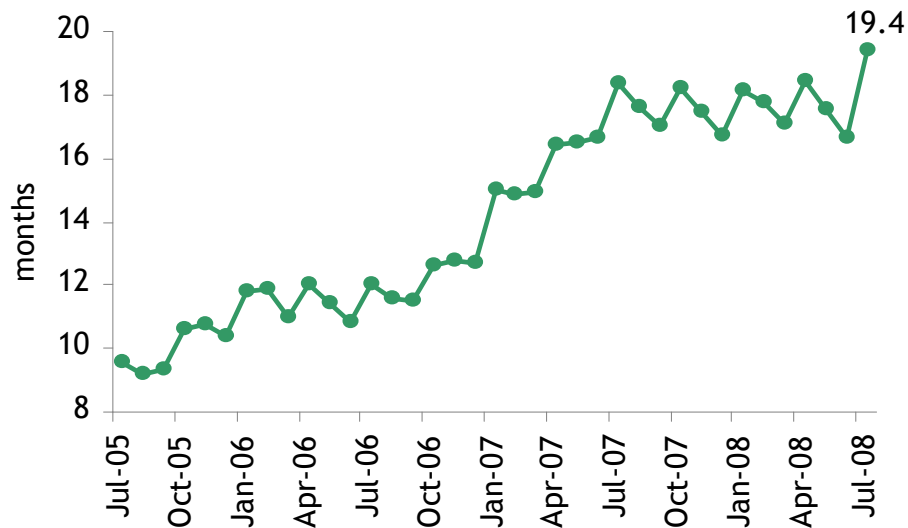
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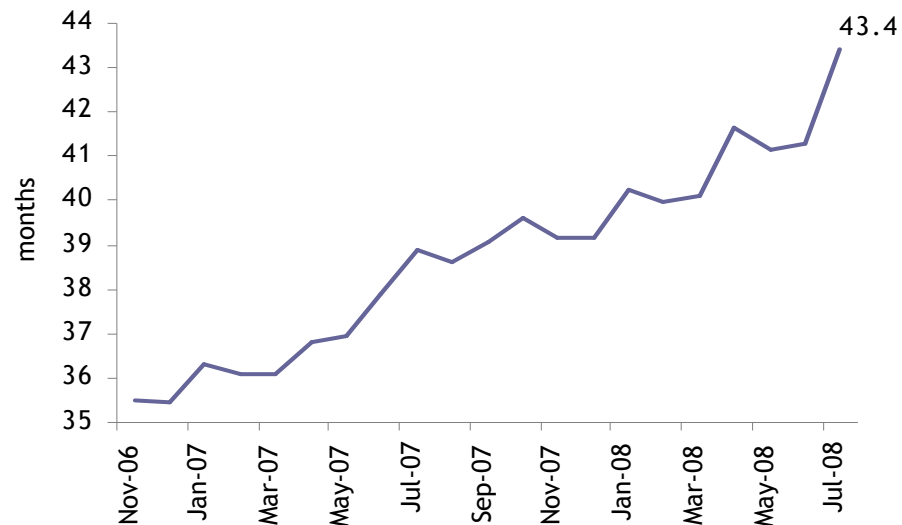


Financing Risk: longer maturity terms in Fixed Rate bonds and in the DPF

Fixed Rate Average Term

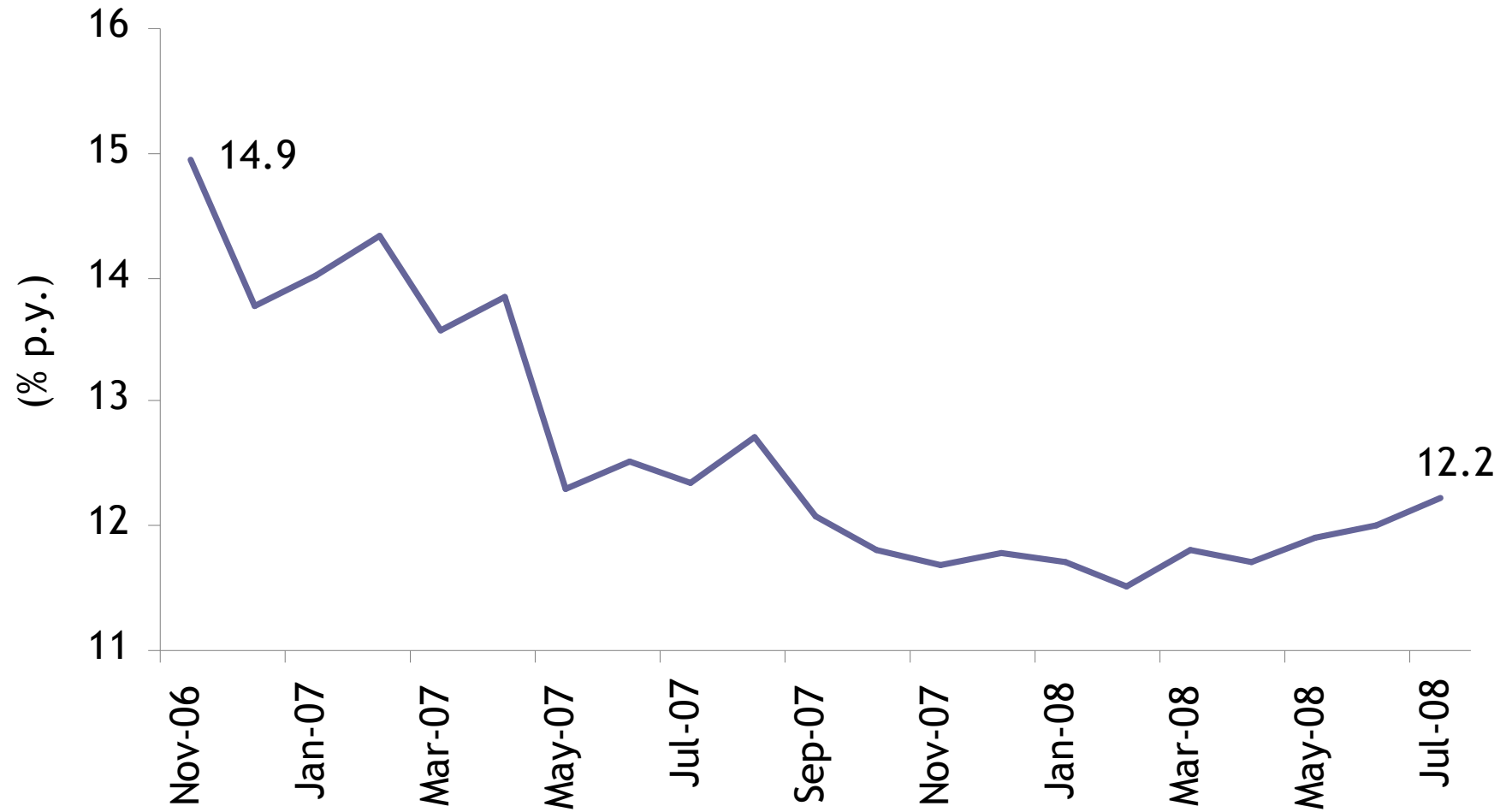


DPF Average Term





Lesser risks without compromising the reduction of the DPF average cost*



* Average cost of DPF held by the public accumulated in the last 12 months