



Brazilian Federal Public Debt



OCTOBER 2009
ISTAMBUL, TURKEY

**Falling
Commodity
Prices**



**Global
Deleveraging**



BNDES | Public Banks

BCB's measures to boost credit

**Falling
Investment**

Negative Spillover on GDP Growth

**Reduced
Credit**

Macroeconomic Overview

Public Debt Management

A quick glance at Brazil

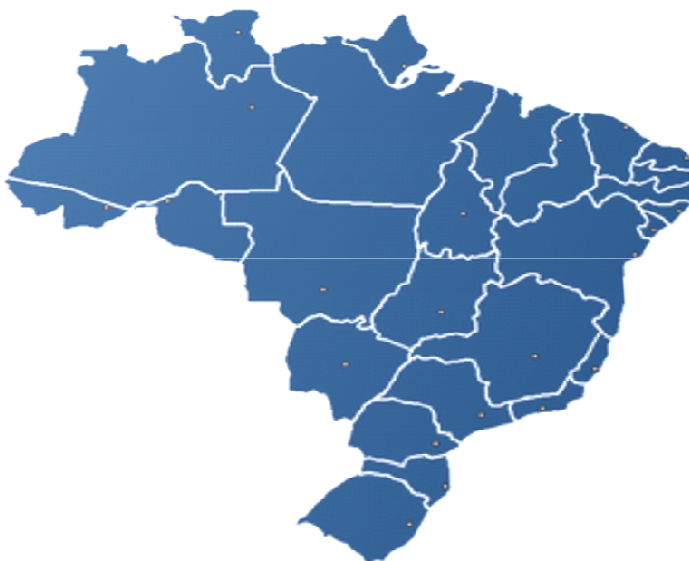
Why does Brazil represent an opportunity?

Flexible Society -
Social Mobility

Mature Consolidated
Democracy

5th largest population (200 mn
people); 5th largest area, 9th
largest GDP (USD 1,606.7 bn)

One language across the Nation
– contrast with BRIC countries



No geopolitical nor religious
problems

Low institutional risk

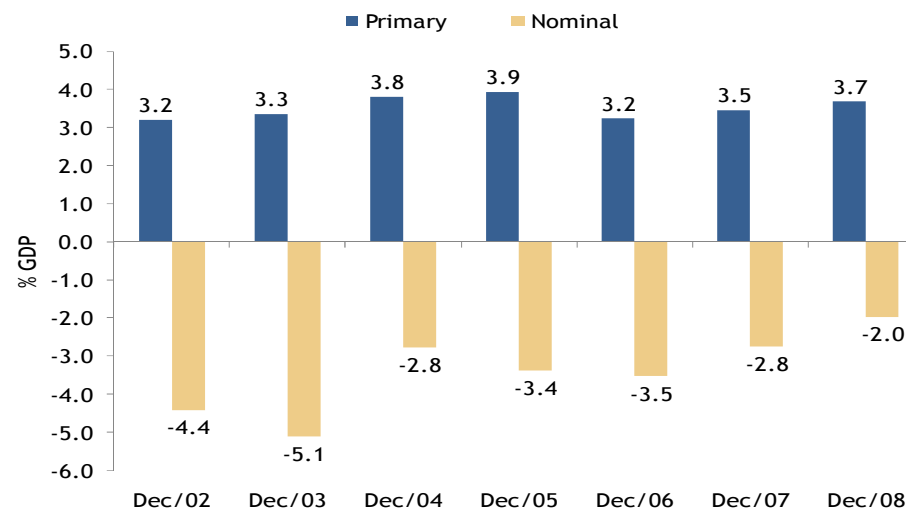
Diverse Energetic Sources

The “Pre-Salt” should turn the
country into an oil net exporter

Fiscal Commitment to debt sustainability

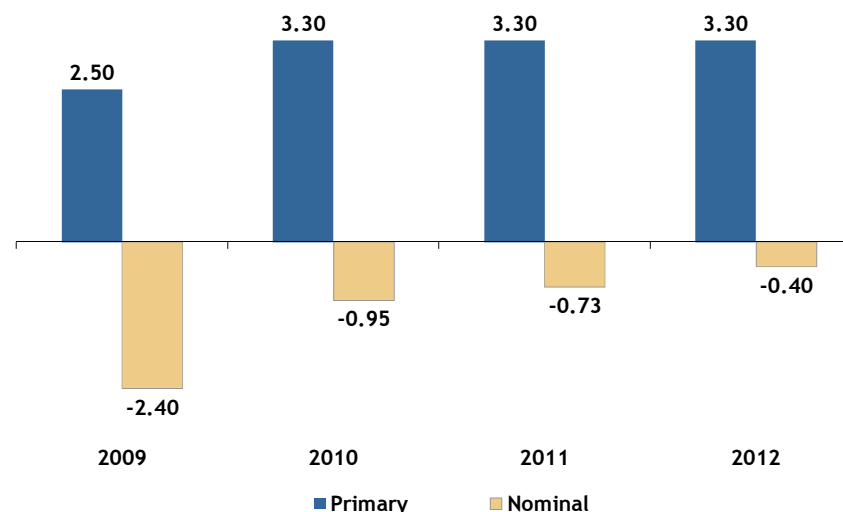
- Primary balance of 4.07% of GDP in 2008, the best result since 2005. Considering the 0.5% transferred to the Sovereign Fund, this is the best result (4.57%) since the beginning of the series in 1994.
- Nominal deficit of 1.53% of GDP in 2008, the best result since the beginning of the series in 1991.
- The Budgetary Guidelines Law (BGL) 2009 establishes 2.5% of GDP for the Primary Balance and 3.3% for the following years.

Public Sector Balance (in 12 months)



Source: Central Bank
* Does not consider Petrobras.

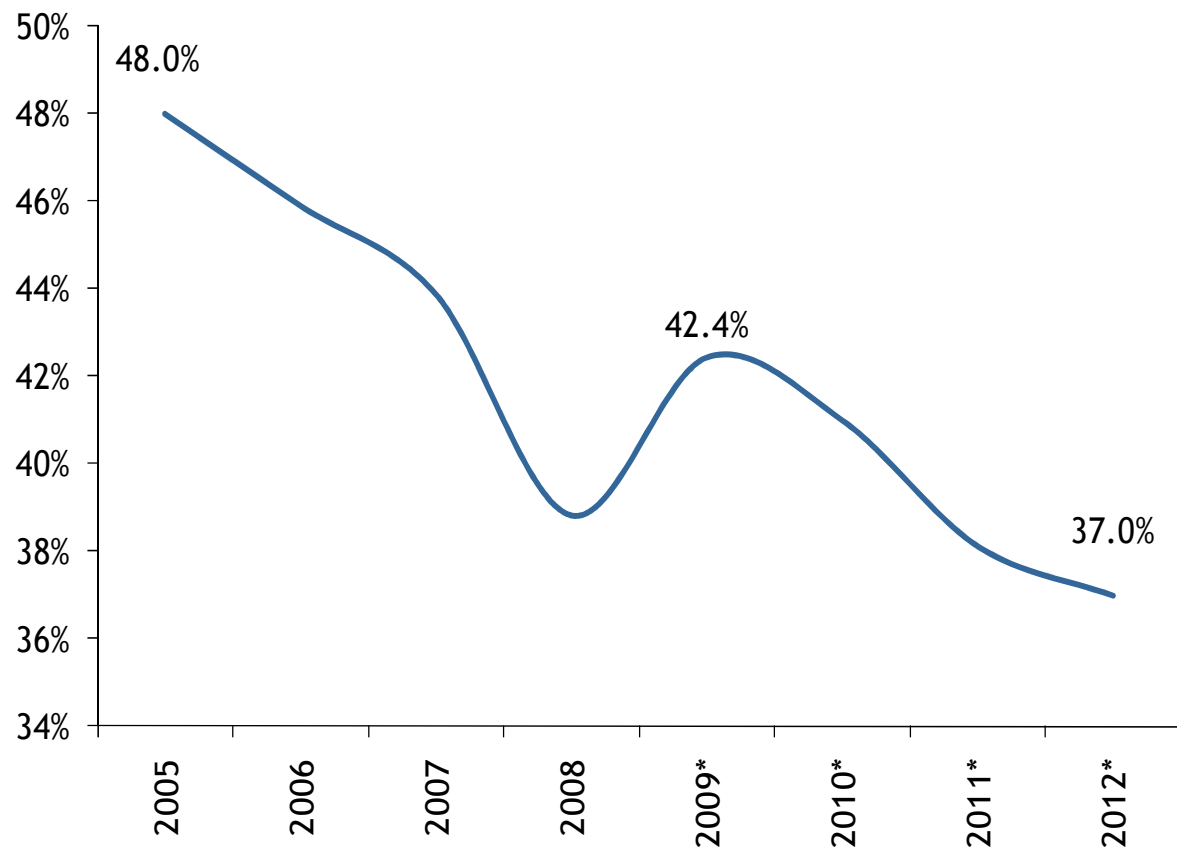
Primary* and Nominal** Balances Forecasts



Source: * BGL 2008, BGL 2009 and **market expectations (FOCUS of 08/28/2009)

Fiscal Commitment to debt sustainability

Net Public Sector Debt / GDP



Source: Central Bank.

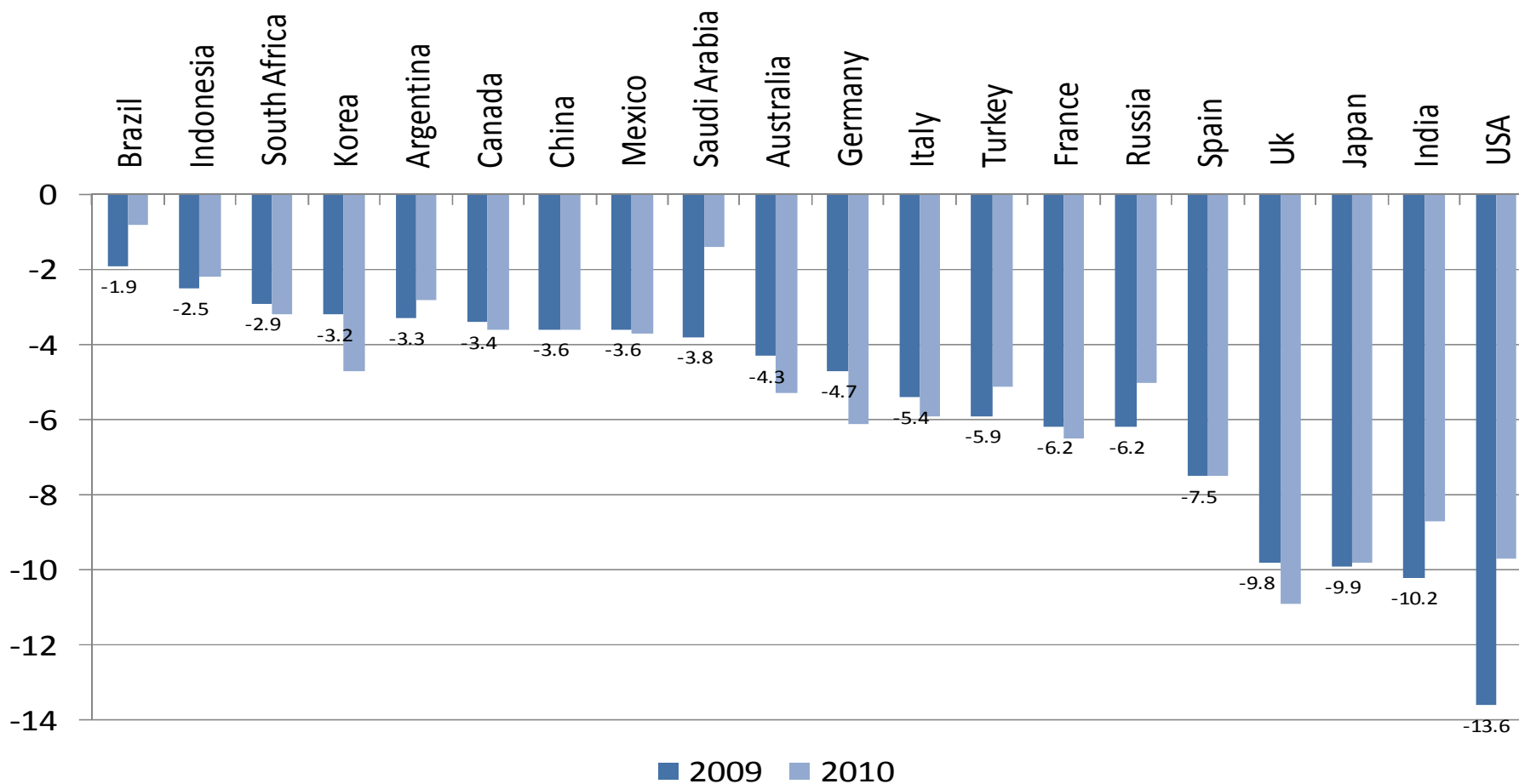
Note: Does not consider Petrobras

* Market expectations (FOCUS of 08/28/2009)

- Downward trend in NPSD/GDP ratio in the last 5 years.
- The NPSD/GDP ratio reached in 2008 is the lowest since August 1998.
- The slight increase in 2009 refers to FX-rate movement, fiscal stimulus and lower GDP growth.
- According to market expectations, debt downward trend returns from 2010 on.

While other countries will have a stronger adjustment to perform

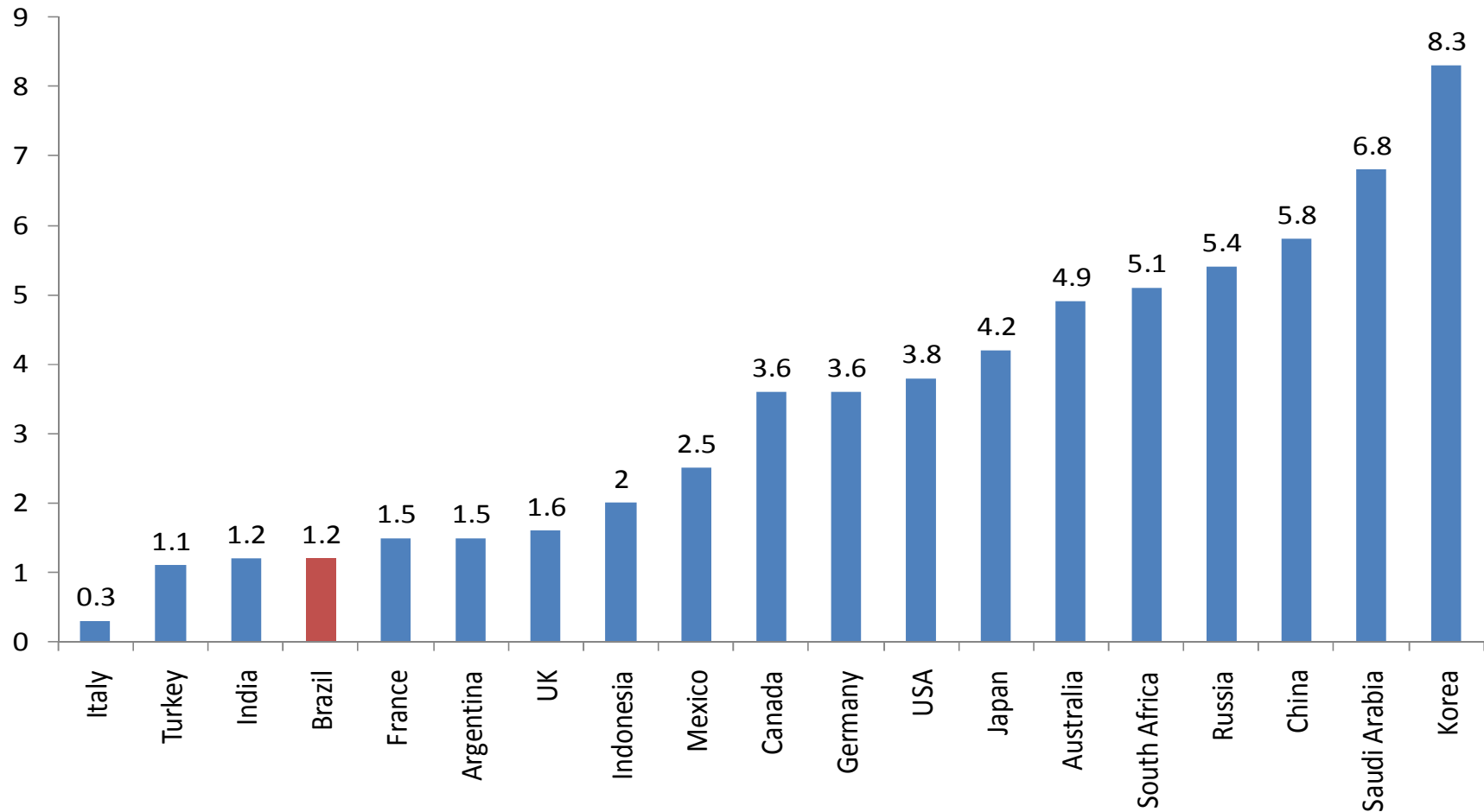
G-20 Nominal Balance estimates (% GDP)



Source: IMF

While other countries will have a stronger adjustment to perform

Fiscal Costs* of anti-cyclical responses to the crisis (% of GDP)

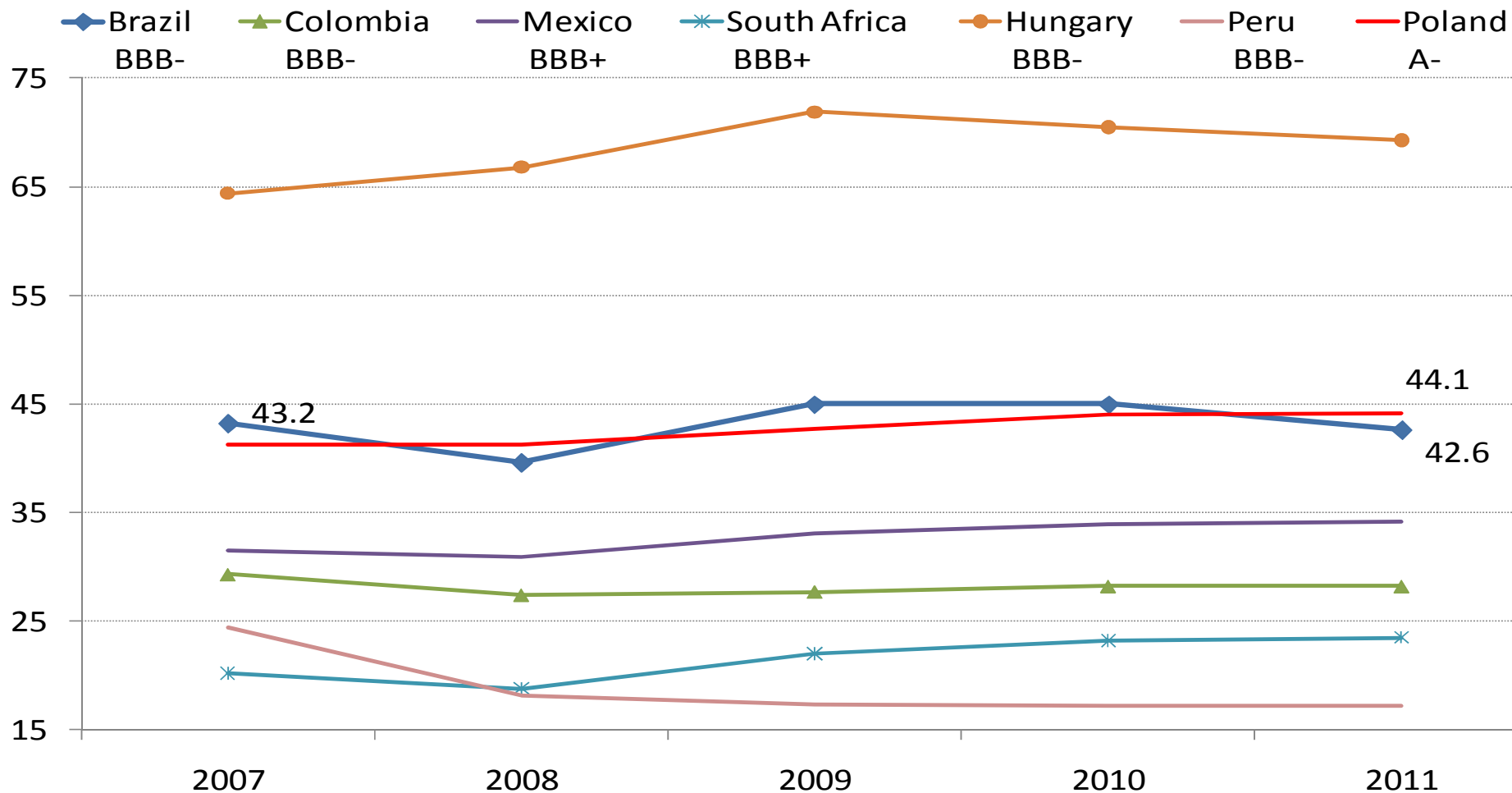


*Defined as discretionary measures related to the crisis and with fiscal impact on 2009 and 2010

Source: IMF

Fiscal Perspective - Cross country comparison

General Gov't Net Debt (% GDP)

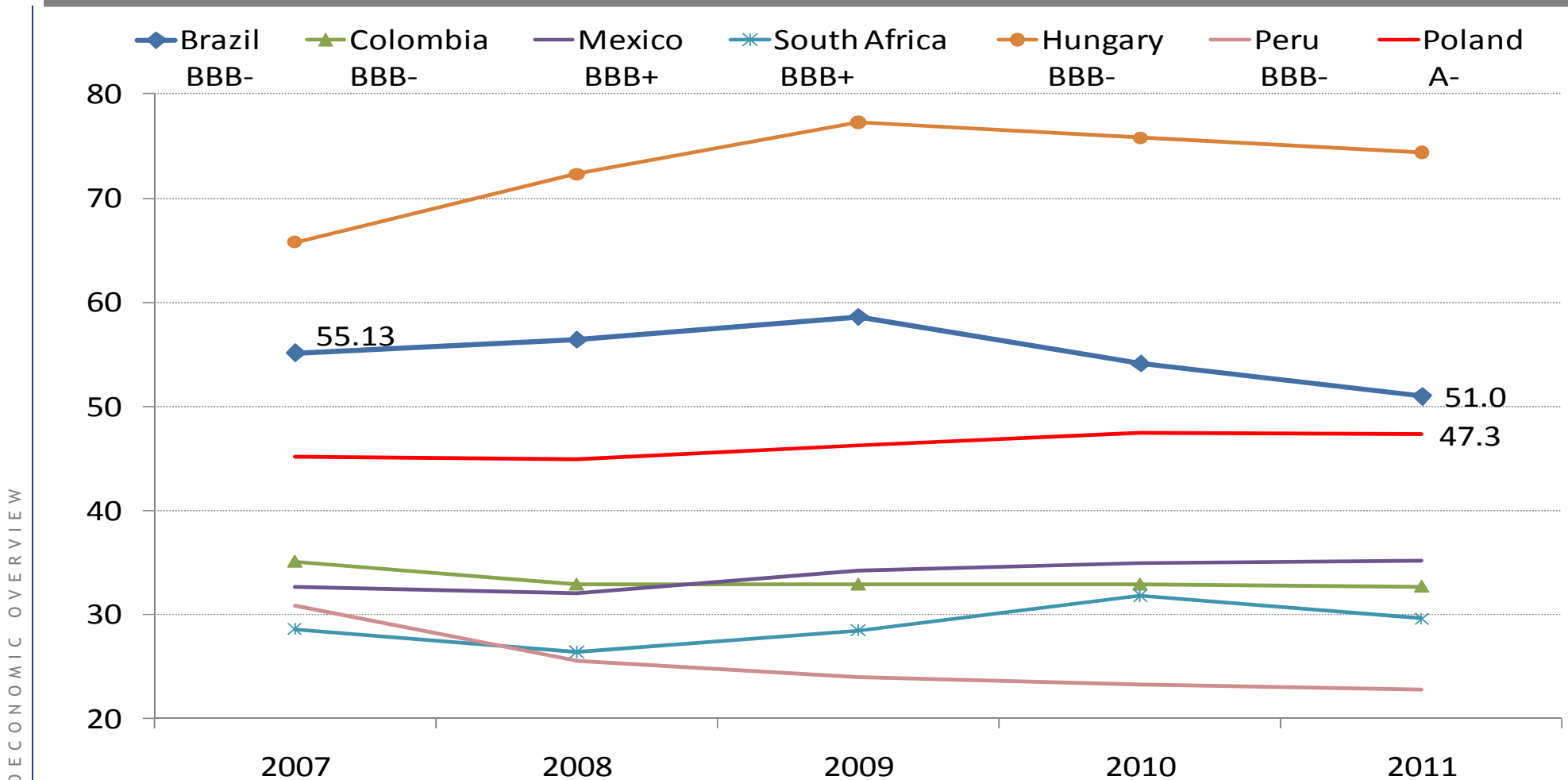


Source: Central Bank, S&P

Note: For Brazil, Net Public Sector Debt (% GDP) reached 38.8 '08 and market forecasts show 42.45; 41.0; and 38.75 respectively to 2009, 2010 and 2011

Fiscal Perspective - Cross country comparison

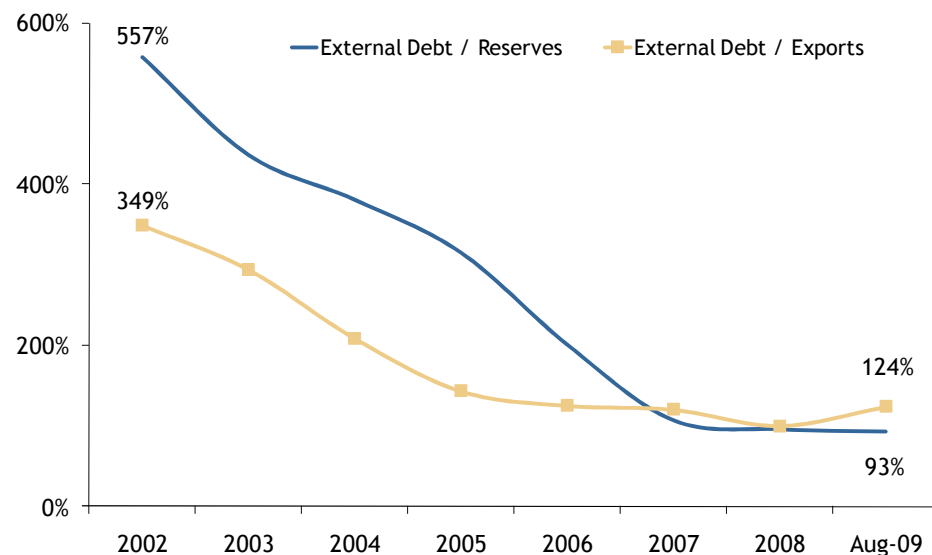
General Gov't Gross Debt (% GDP)



Source: Central Bank, S&P

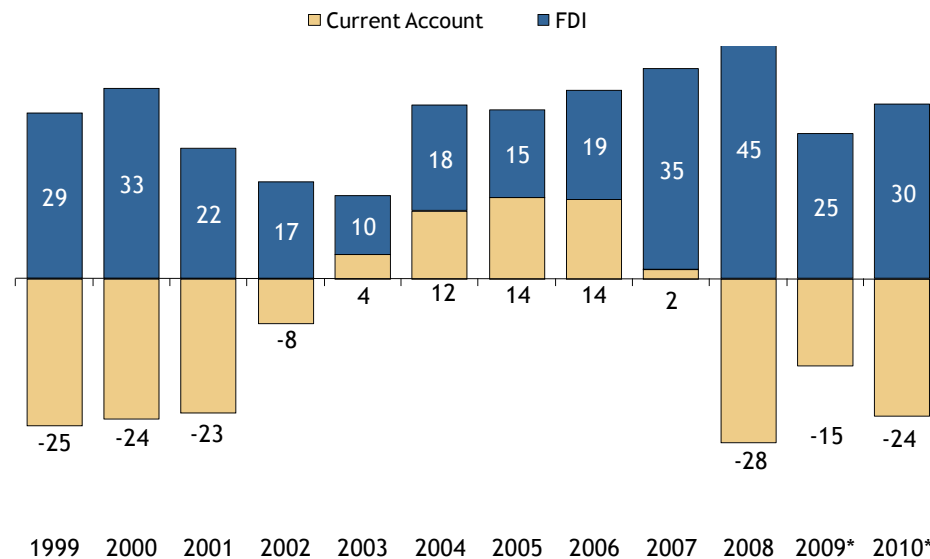
External Sector - Reduction in the External Vulnerability

External Debt / FX-Reserves and Ext. Debt / Exports (%)



Source: Central Bank

Current Account Balance x FDI (12-m accumulated - US\$ bn)



Source: Central Bank

*Market Expectations (Focus of 09/25/2009)

- Brazil is a Net External Creditor in US\$ 32.8 bn (Aug-09)
- CA deficits have been comfortably financed by FDI

Unfolding FDI on Brazil - What are the determinants?

FDI (12-m accumulated - % GDP)

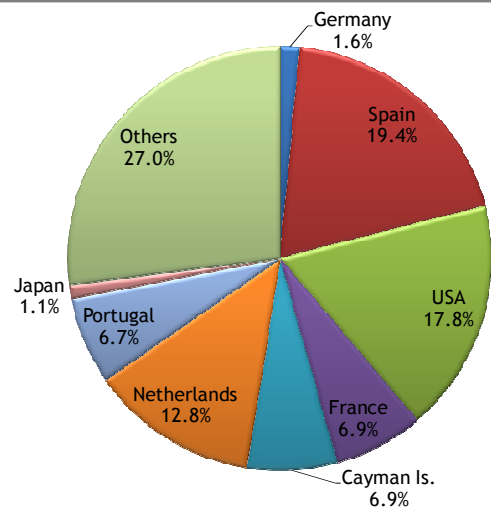


- Investment opportunities linked to the real sector driven by the domestic market: Agriculture, auto-parts, IT, services;
- Brazil's share on global FDI has increased from 1.9% in 1Q`07 to 2.4% 1Q`09;
- While fixed income and, mainly, equity investments dropped during the crisis, FDI reached high record levels;
- This shows that part of the deleveraging process was channeled to the real sector in Brazil.

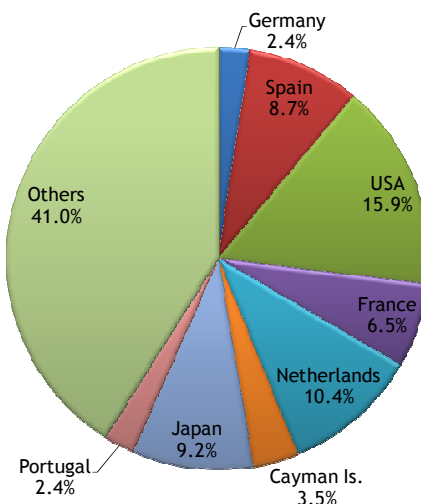
Source: Central Bank

FDI distribution by origin

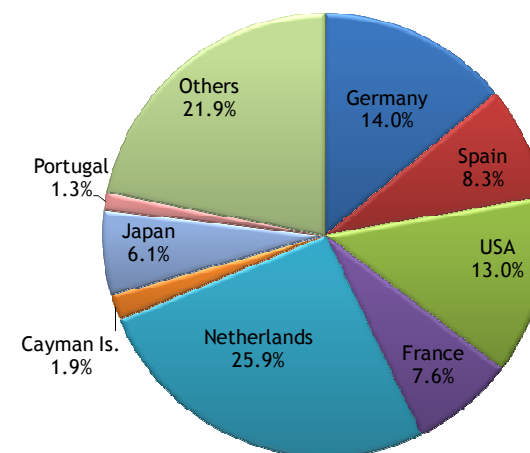
1998 - US\$ 26.3 Bn



2008 - US\$ 43.9 Bn



Jan- Jul-/09 - US\$ 12.6 Bn



Source: Central Bank

- The top 8 countries corresponded 73% (19.2 bn) back in 1998 and 59% (25.9 bn) in 2008;
- From Jan-Jul 2009 the USA now ranks 3rd (13.0%, in contrast to 15.9% -top position in 2008), while the Netherlands (25.9%) and Germany (14.0%) ranks 1st and 2nd;
- A more diversified range of countries points to wider businesses coming to the local economy.

Export Diversification

Brazilian Exports are diversified across countries and products

	2000		2008		Jul/09 ¹	
	US\$ Bn (FOB)	Share (%)	US\$ Bn (FOB)	Share (%)	US\$ Bn (FOB)	Share (%)
EU	15.35	27.8%	46.40	23.4%	38.49	22.5%
USA	13.19	23.9%	27.42	13.9%	20.06	11.7%
Argentina	6.24	11.3%	17.61	8.9%	13.25	7.8%
China	1.09	2.0%	16.40	8.3%	18.90	11.1%
Mexico	1.71	3.1%	4.28	2.2%	3.28	1.9%
Chile	1.25	2.3%	4.79	2.4%	3.62	2.1%
Japan	2.47	4.5%	6.11	3.1%	5.30	3.1%
Venezuela	0.75	1.4%	5.15	2.6%	4.41	2.6%
Others	13.07	23.7%	69.78	35.3%	63.64	37.2%
Total	55.12	100.0%	197.94	100.0%	170.94	100.0%

Source: MDIC/SECEX

¹ Total in 12 months

- Reduction of 76% to 64% the share of the 8 main exports destinations;
- In absolute terms, the export volume has increased to all of these countries in the last years.

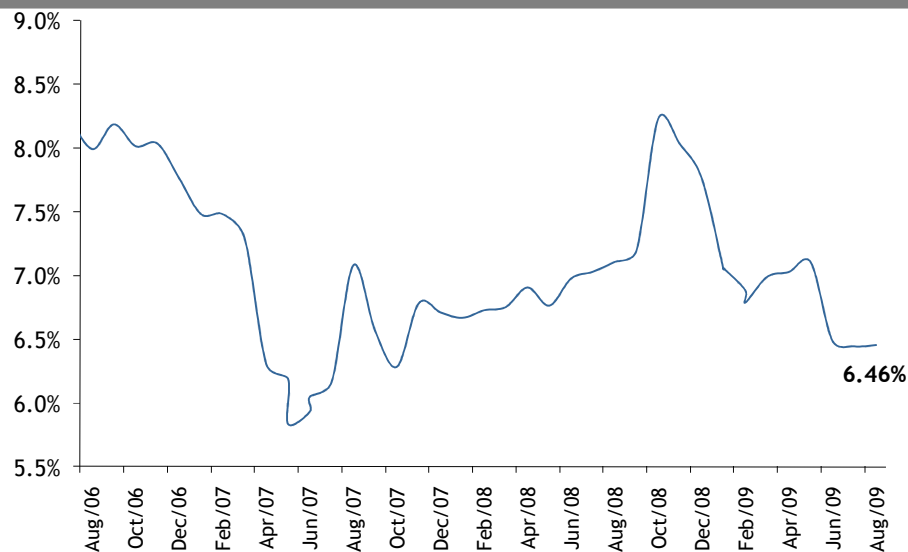
	2000	2007	2008	Jul/09 ¹
Primary products	22.8%	32.1%	36.9%	40.1%
Intermediary goods	15.4%	13.6%	13.7%	13.2%
Manufactured products	59.1%	52.3%	46.8%	44.5%
Special operations	2.7%	2.1%	2.6%	2.3%
Total (US\$ bn)	55.1	160.6	197.9	170.9

Source: MDIC/SECEX

¹ Total in 12 months

Inflation under control

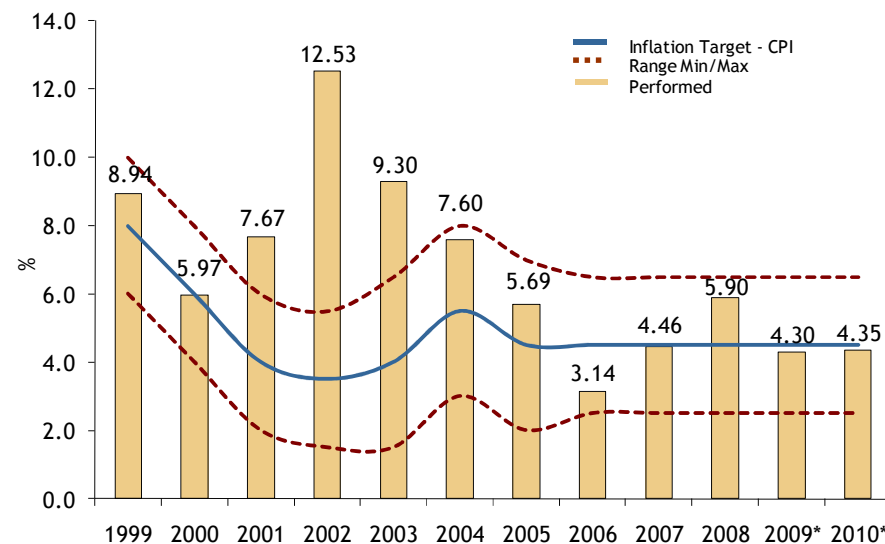
Medium and Long Term Real Interest Rate *



Source: National Treasury * NTN-B: CPI linked bonds, maturing in 2024, 2035 and 2045.

- After the recent turmoil peak (Sep-08 to Nov-08), real interest rate has dropped

Annual Inflation - Target and Performed

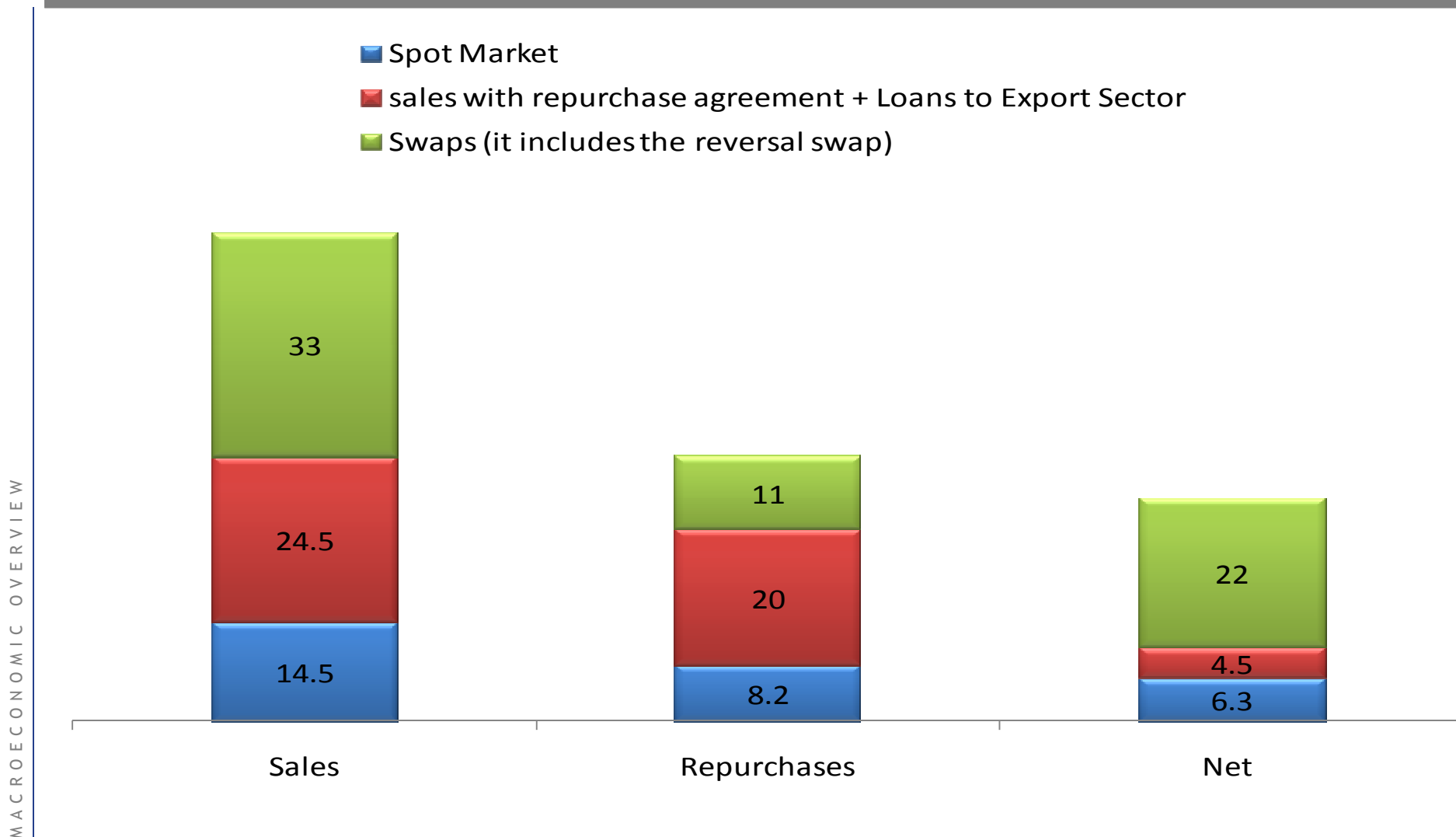


Source: Central Bank * Market Expectation - Central Bank/FOCUS - 09/11/09

- On Jan-09 the Brazilian Inflation Target regime completed 10 years .
- *Credible inflationary expectations have allowed effective adjustments on real FX-rate to buffer external shocks.*

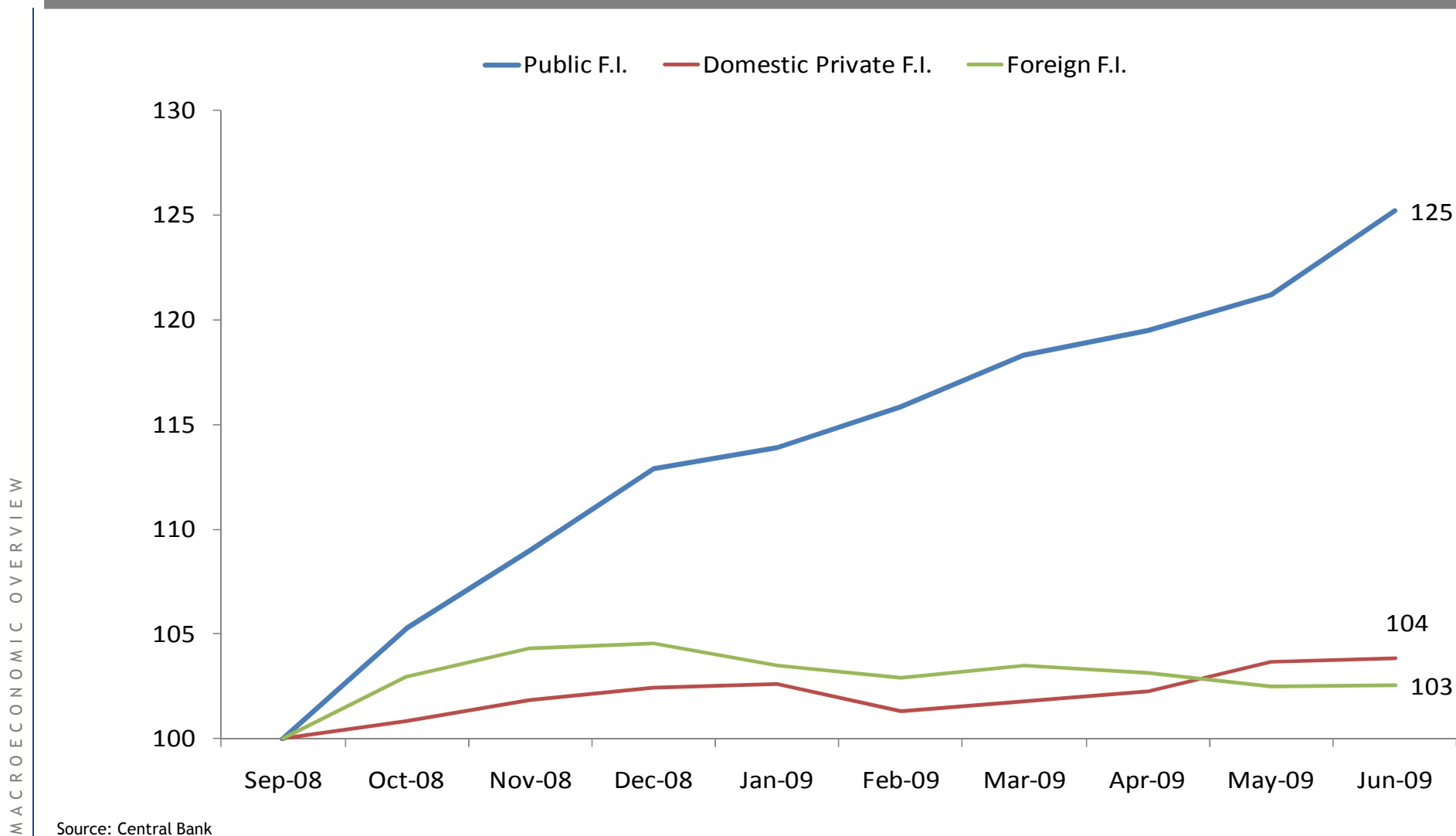
FX-market was not disrupted

Central Bank's interventions on FX-market during the crisis - USD bn



The roll of public banks during the credit shortage

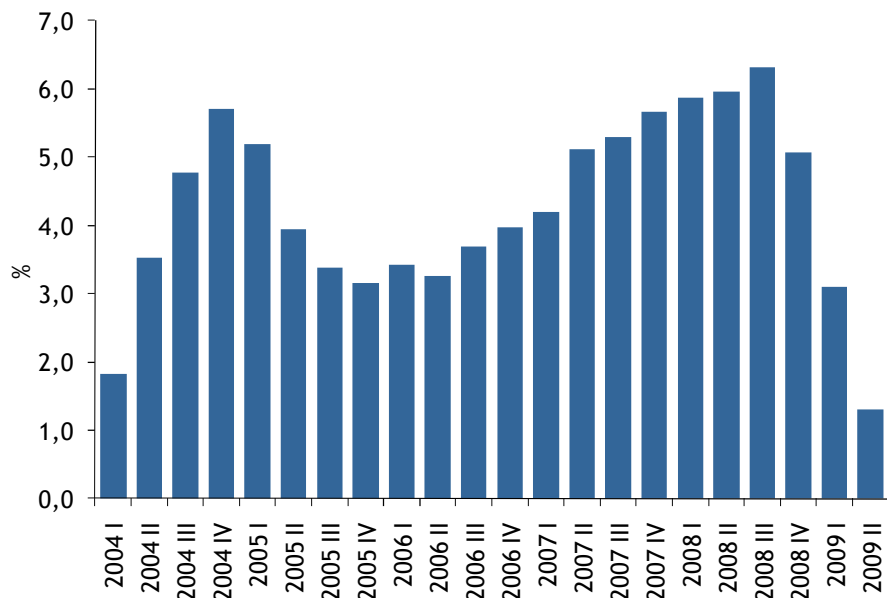
Credit Operations share by Financial Institution (F.I.) - Sep-08=100



Source: Central Bank

Sustainable Growth supported by domestic demand

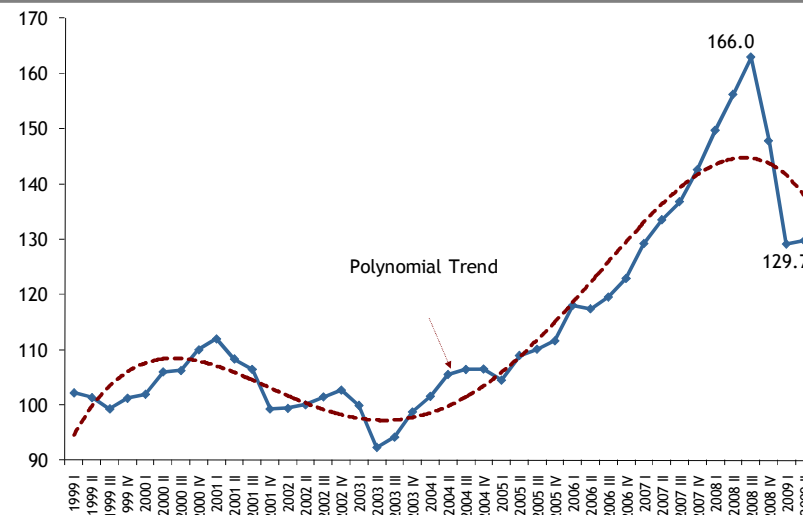
GDP Growth (Q-o-Q accumulated)



Source: IBGE

- Average GDP growth of 4.5% during the last 4 years.
- Investment increased 19.7% in the third quarter of 2008, the highest level since the beginning of the series (1996).

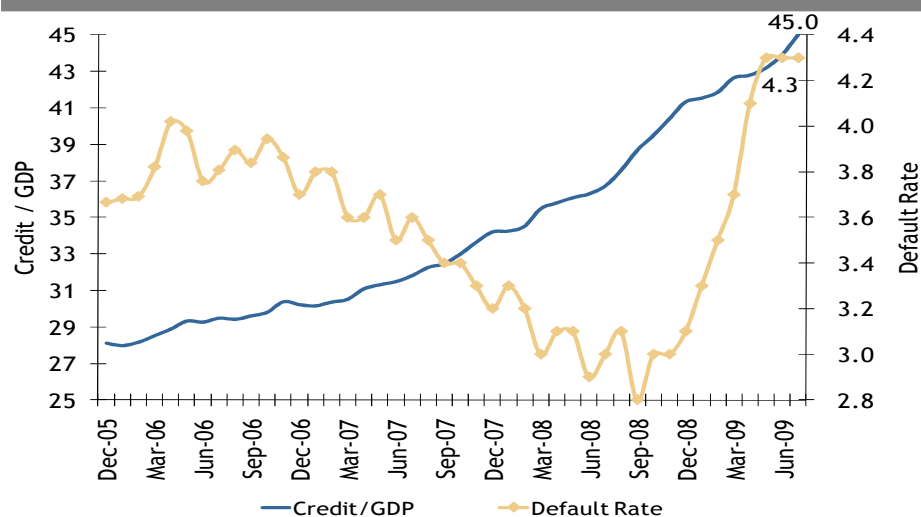
Investment Growth - Seasonally Adjusted (1995=100)



Source: IBGE

Note: Gross Fixed Capital Formation (GFCF)

Credit (% GDP) and Default Rate (% credit)

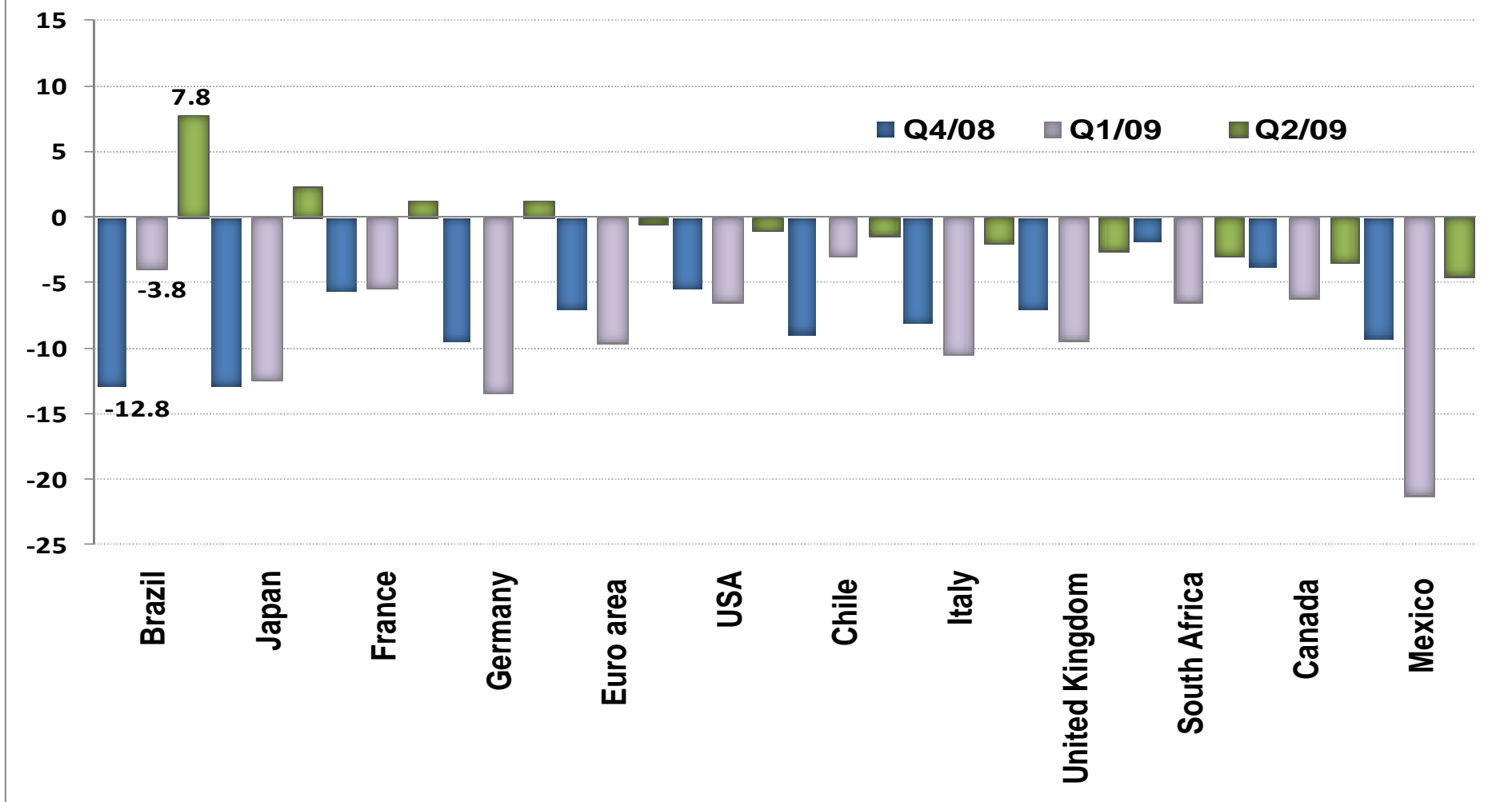


Source: Central Bank

*Total credit in arrears by more than 90 days

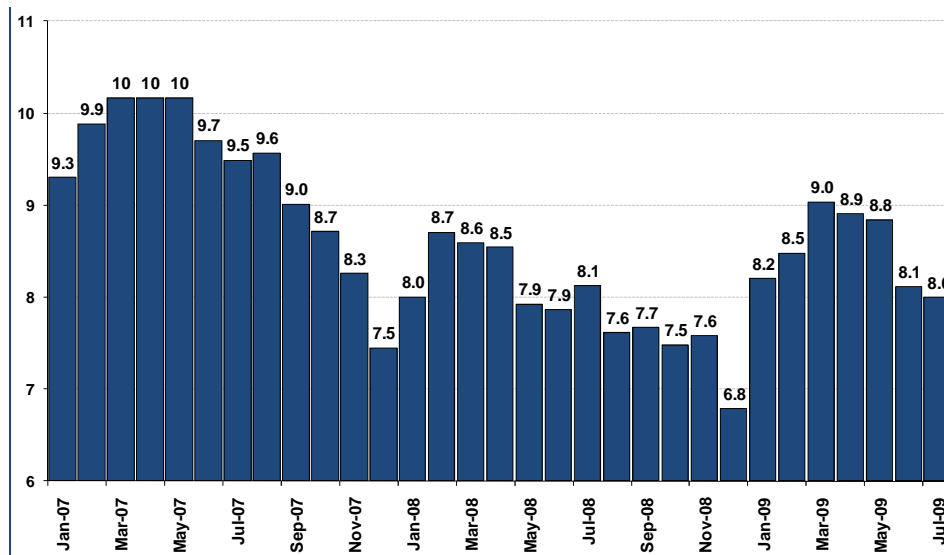
Leading the recovery

Gross Domestic Product growth * (%)



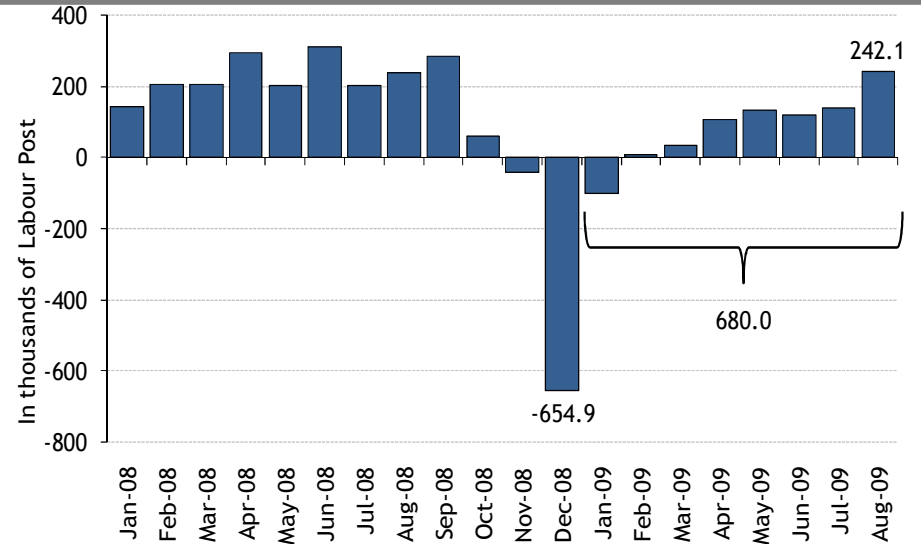
Unemployment in a downward trend once again

Unemployment rate %



Source: IBGE

Labor Market- Net Admissions



Source: CAGED

Macroeconomic Overview

Public Debt Management

- Annual Borrowing Plan

- Recent Events

Annual Borrowing Plan - 2009

Federal Public Debt Planning (FPD)

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

Federal Debt (FPD) Indicators*

Indicators	2003	2004	2005	2006	2007	2008	Aug/09	Limits for 2009	
								Minimum	Maximum
Stock of FPD* held by the public (R\$ Billion)									
	965.8	1,013.9	1,157.1	1,237.0	1,333.8	1,397.0	1,510.0	1,450.0	1,600.0
FPD Profile (%)									
<i>Fixed Rate</i>	9.5%	16.1%	23.6%	31.9%	35.1%	29.9%	29.7%	24.0%	31.0%
<i>Inflation Linked</i>	10.3%	11.9%	16.1%	19.9%	24.1%	26.6%	25.8%	26.0%	30.0%
<i>Floating Rate</i>	46.5%	45.7%	43.9%	33.4%	30.7%	32.4%	36.1%	32.0%	38.0%
<i>Exchange Rate</i>	32.4%	24.2%	17.6%	12.7%	8.2%	9.7%	7.3%	7.0%	11.0%
<i>Others</i>	1.4%	2.2%	1.8%	2.0%	1.9%	1.4%	1.1%	1.0%	2.0%
FPD Maturity Structure									
<i>Average Maturity (years)</i>	3.3	2.9	2.8	3.0	3.3	3.5	3.5	3.4	3.7
<i>Percentage Maturing in 12 Months</i>	30.7%	39.3%	36.3%	32.4%	28.2%	25.4%	27.5%	25.0%	29.0%

* It includes the domestic debt (R\$ 1,400.98 billion - Aug/09) and the external debt (R\$ 108.97 billion - Aug/09) under the National Treasury responsibility

Annual Borrowing Plan 2009

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;

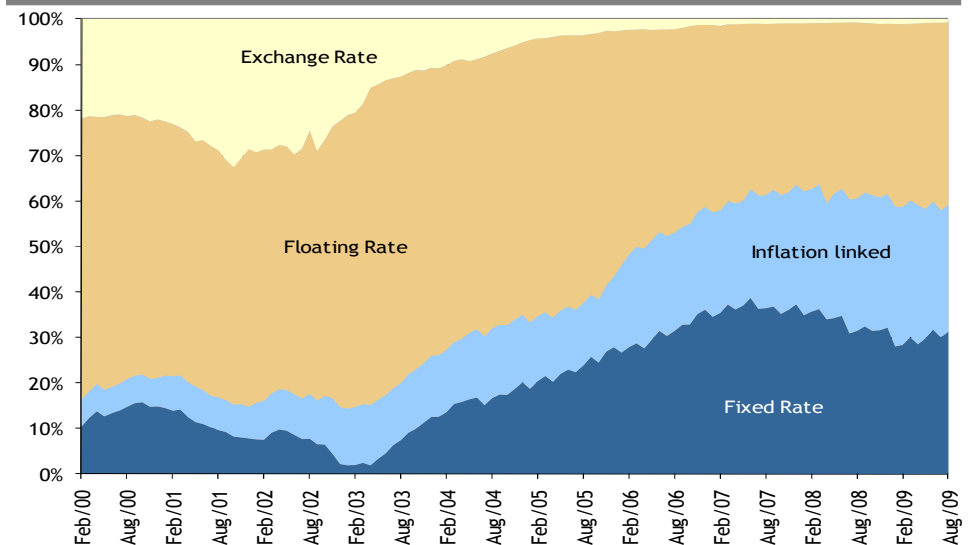
▪ Inflation Linked Securities:

- 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 maturity observed at the end of 2008 (around 3.5 years).

Domestic Debt Composition



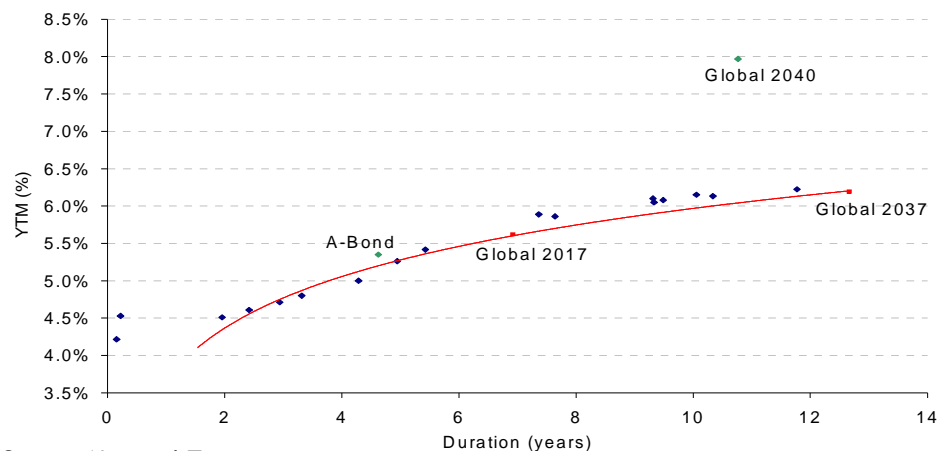
Source: National Treasury

Annual Borrowing Plan 2009

External Federal Public Debt (EFPD) Strategy

- Maintenance of the early redemption program, together with structured operations, both aimed at correcting distortions in the external interest curve;
- Creation and improvement of benchmarks in the external market interest rate term structure; and
- 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 83% of foreign currency for the external debt service (principal and interest).
- Maintenance of the Early Redemption Program.

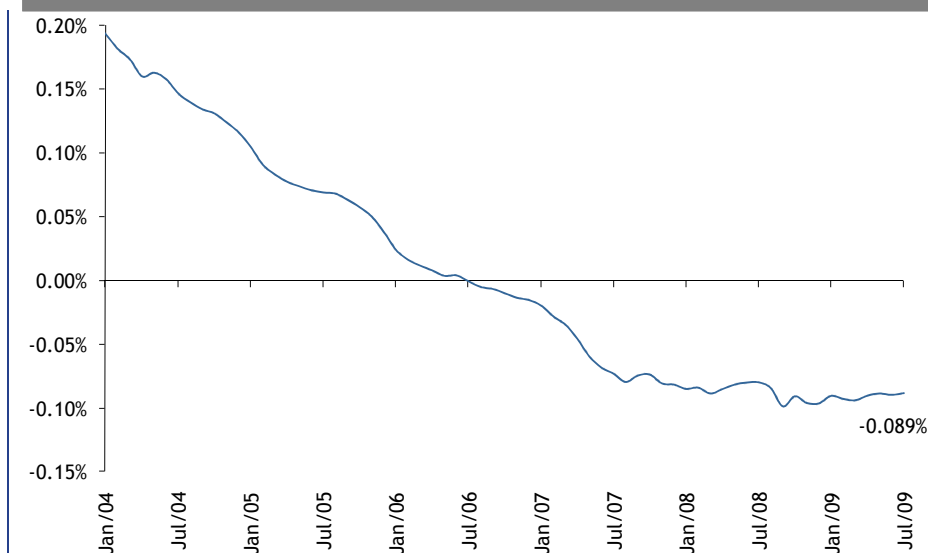
Yield Curve



Source: National Treasury

The improvement on the Public Debt composition has reduced risks

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

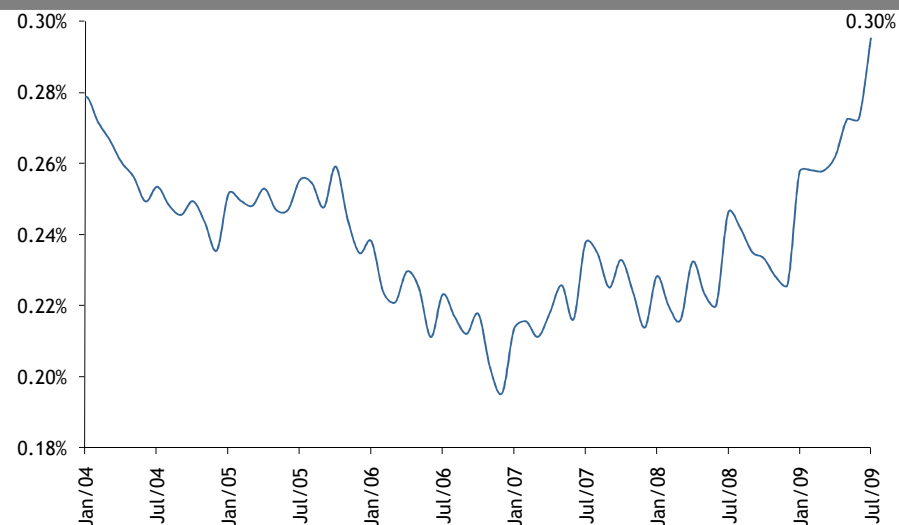


Source: Central Bank

- The risk of Net Debt not only was reduced in **20.5%** of GDP in four years, but the protection created by our net asset position in FX has compensated the interest rate risk. This shielded the Net Debt against market risks, as observed in 2008.

- Considering the reduction on the sensibility of the Net Debt to exchange and floating rates, a stress scenario (overshooting of **56.6%** on exchange rate, followed by an increase of **7.8 pp** on the SELIC rate - three standard deviations in both), in December 2002 would increase the Net Debt to GDP in **16.5%**. On July 2009, this same scenario would decrease the debt in **3.0%**, being the increase of 2.3% on interest rates compensated by a reduction of 5.02% caused by the currency.

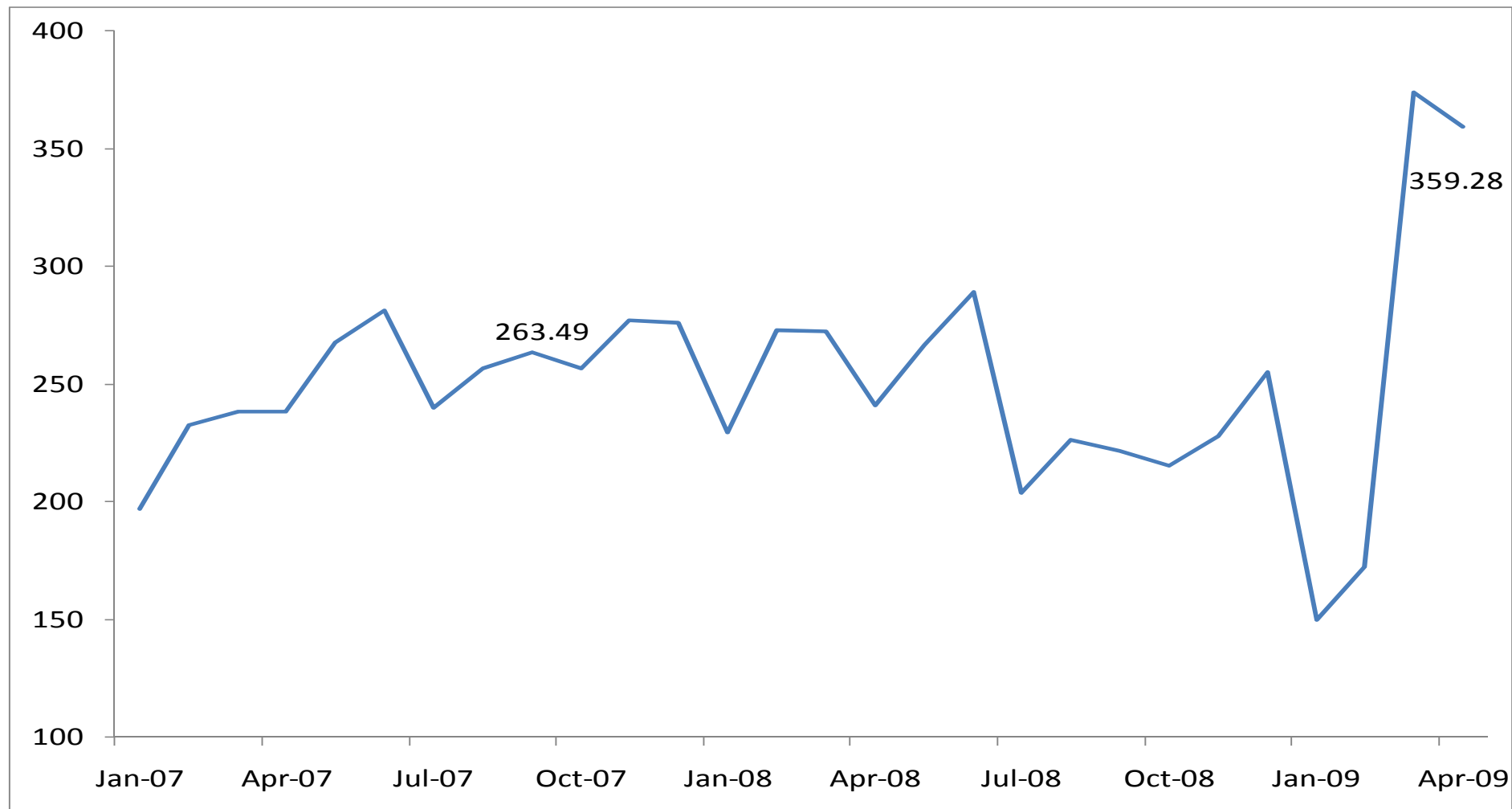
Impact of 1% SELIC change on Net PS Debt/GDP*



Source: Central Bank
In 12 months

National Treasury's Cash Position in local currency

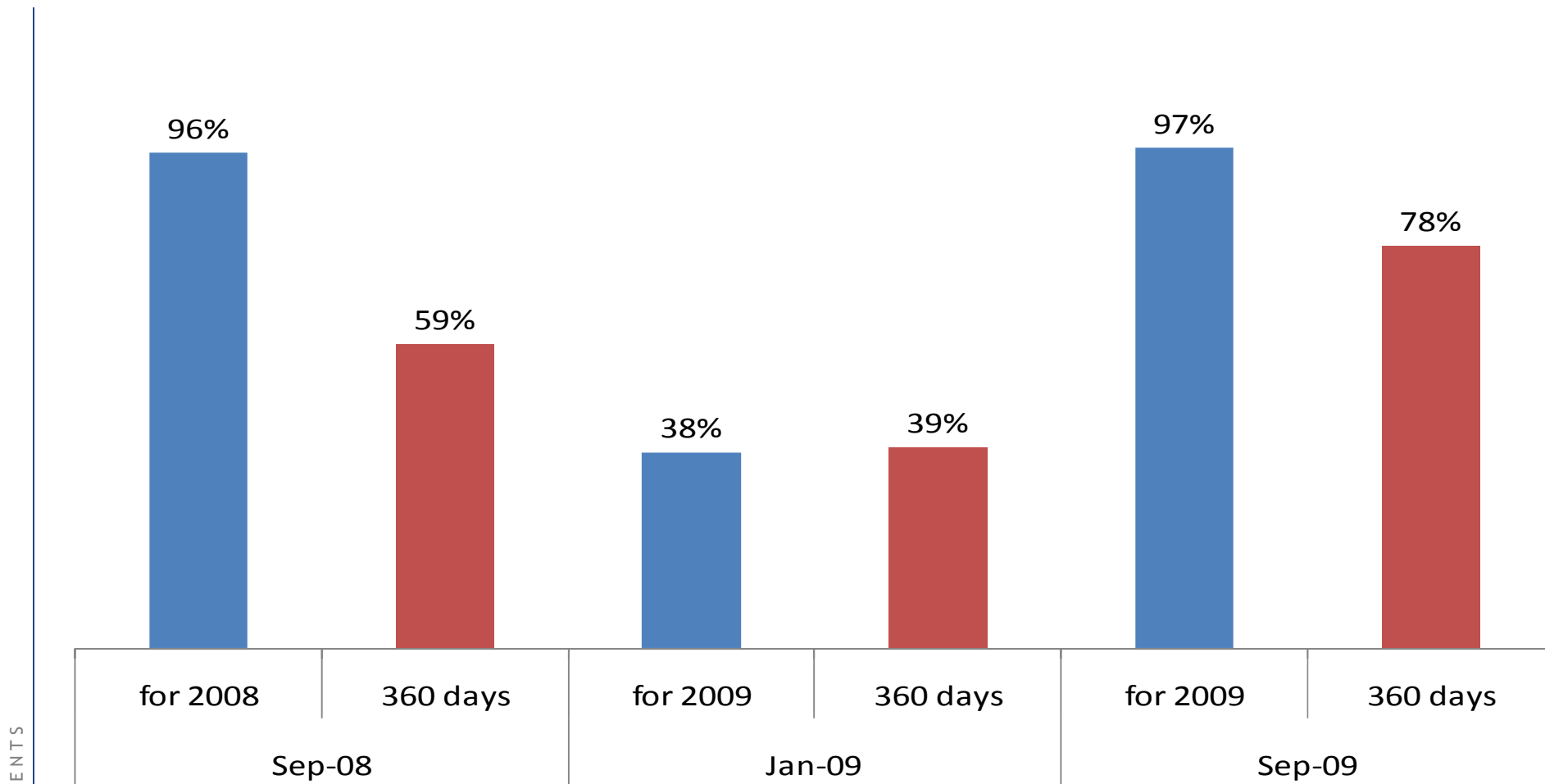
Treasury's Single Account Evolution



Source: Central Bank

National Treasury's Cash Position in USD

Foreign currency bought in advance for debt payment purposes



Source: National Treasury

Macroeconomic Overview

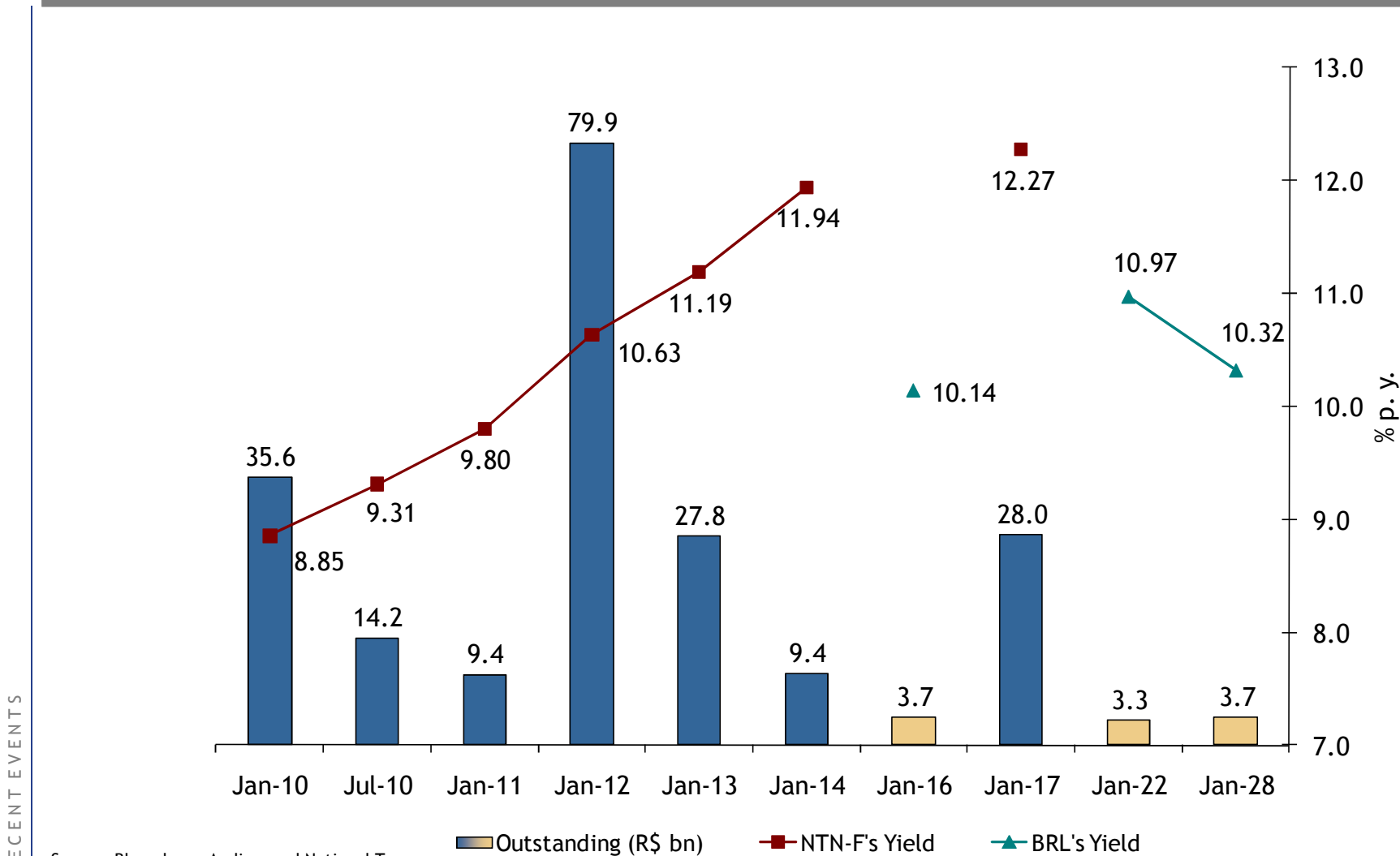
Public Debt Management

- Annual Borrowing Plan

- Recent Events

National Treasury Performance - *Big opportunities merge in the domestic market*

NTN-F and BRL's - Outstanding and Yields (08/31/09)

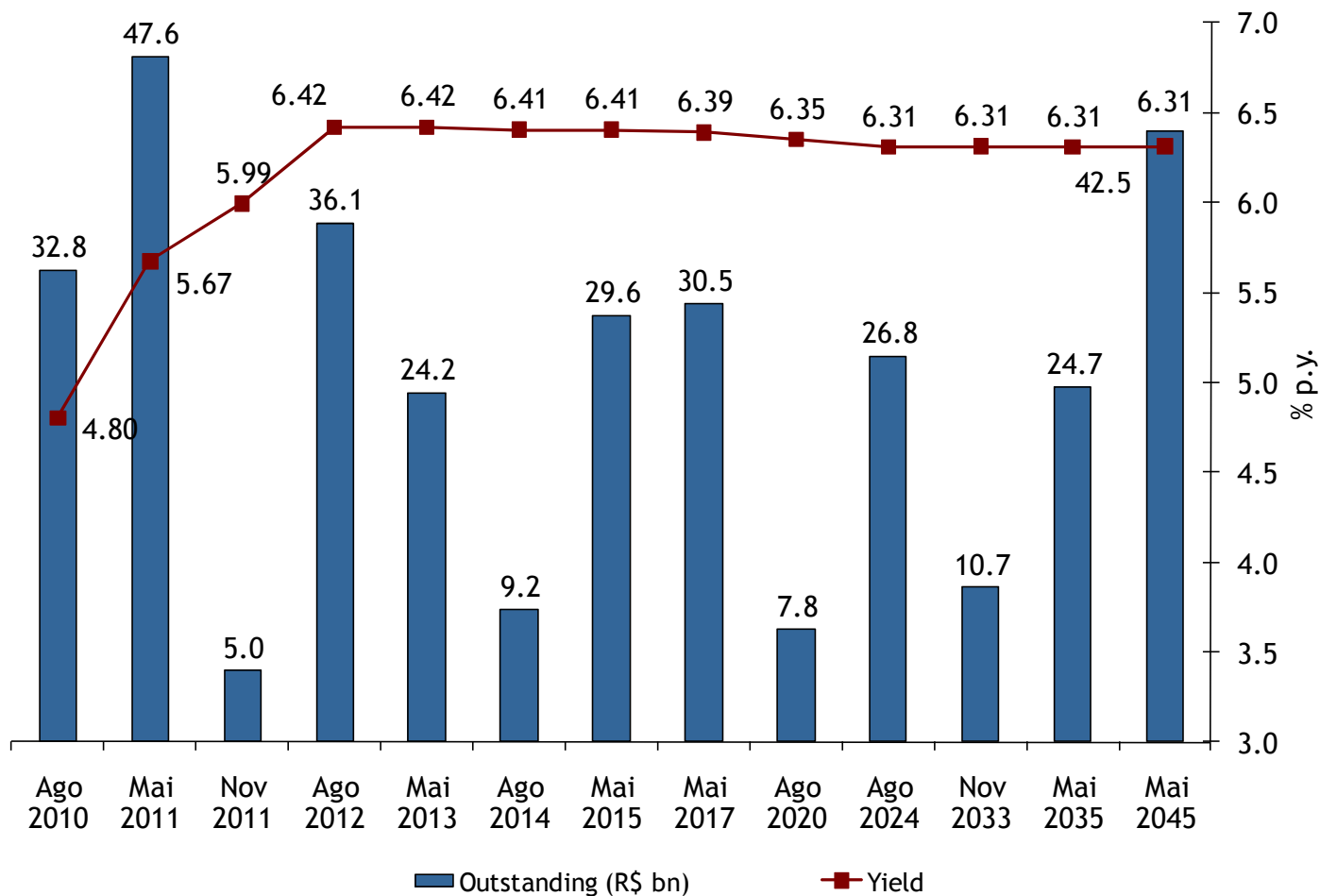


Source: Bloomberg, Andima and National Treasury

RECENT EVENTS

National Treasury Performance - *Big opportunities merge in the domestic market*

Inflation linked bonds (NTN-B) - Outstanding and yields (as of 08/31/2009)



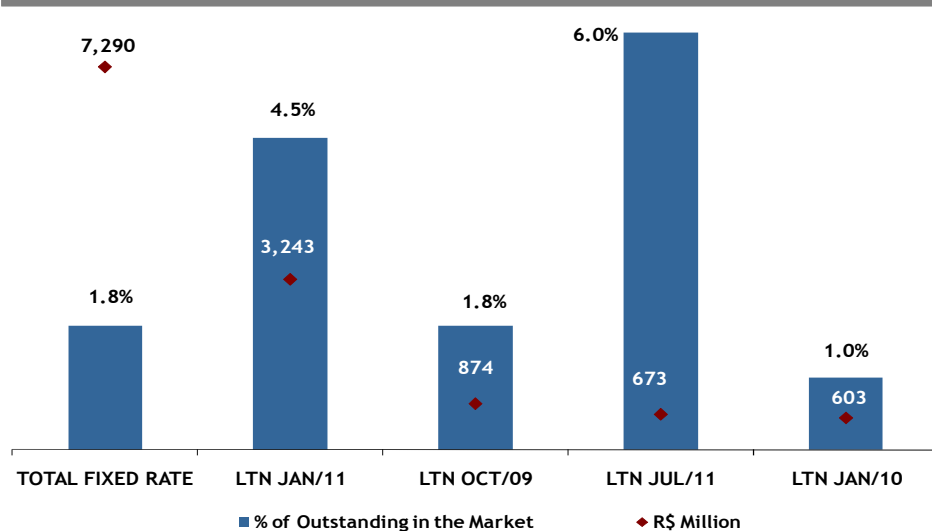
Source: ANDIMA

Note 1: The Aug/10, Mai/11, Ago/12, Mai/13, Mai/15, Mai/17 and Nov/33 NTN-B are not issued anymore.

Note 2: There are NTN-Bs with other maturities.

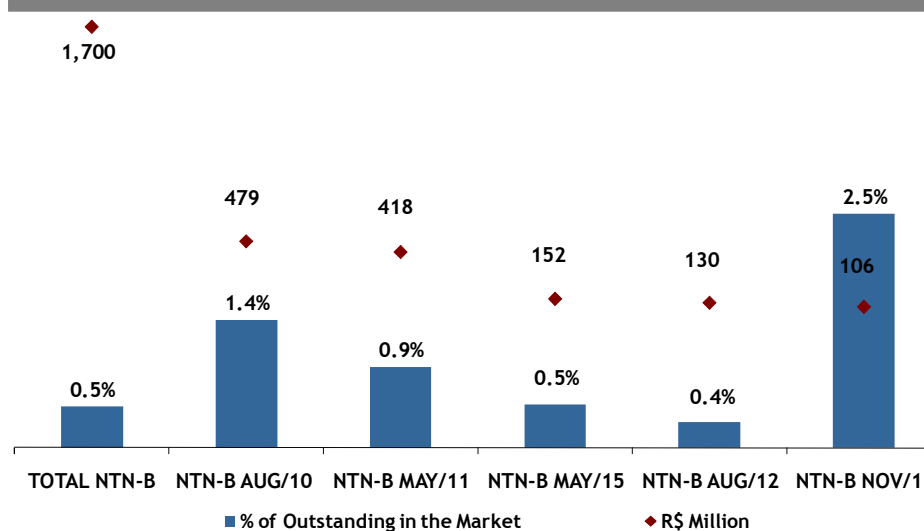
Performance in Domestic Market - Liquidity Indicators

Daily Turnover* - Fixed Rate Bonds



Source: National Treasury * as of Jul-09

Daily Turnover* - Inflation Linked Bonds



Source: National Treasury * as of Jul-09

YIELD x Spread* 7/31/09

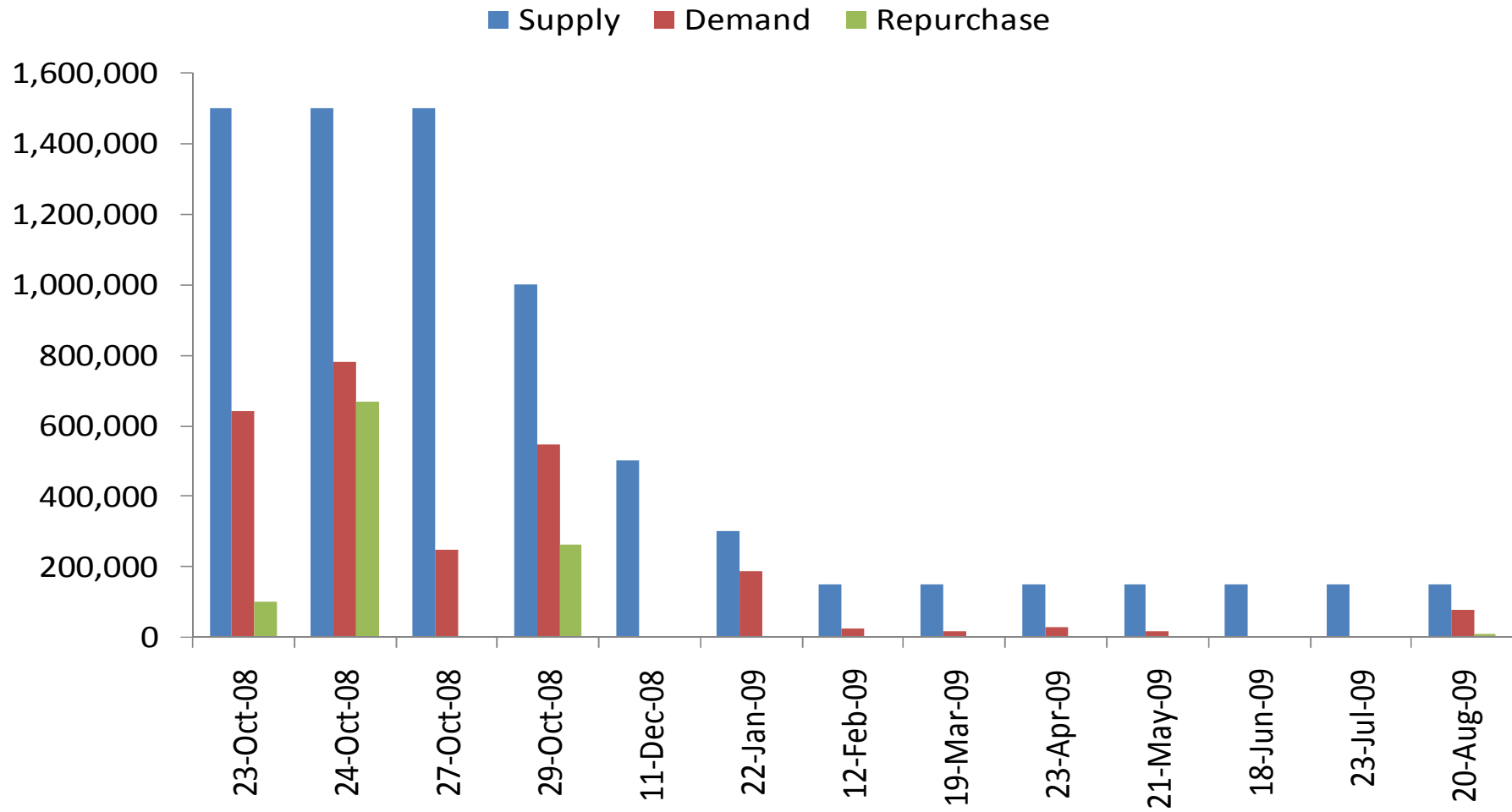
	NTN-B 15/11/11	NTN-B 15/5/11	NTN-B 15/8/12
Yield	5.91	5.64	6.41
Spread (bps)	11	11	16

	LTN 1/10/09	LTN 1/1/10	NTN-F 1/1/10
Yield	8.71	8.71	8.72
Spread (bps)	3	3	4

* The difference between Maximum and Minimum Rate from ANDIMA

Aiding liquidity

10y Fixed rate bonds (NTN-F2017) -BRL th



RECENT EVENTS

Source: National Treasury

Measures to Improve the Market

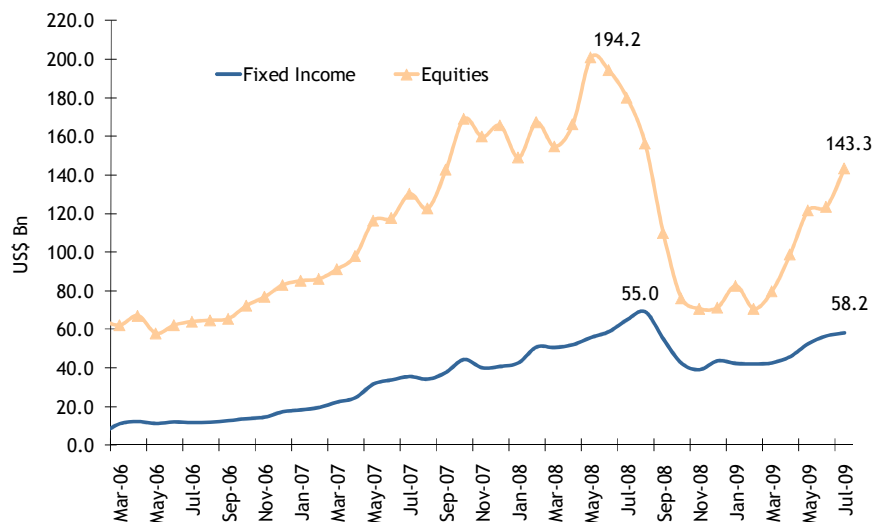
Stimulating Primary and Secondary Markets

- **Dealers**
 - Additional performance targets for specialist dealers.
 - Specialist dealers will have to post daily, twice a day, bid and ask proposals for each one of the negotiated bonds.
 - Participants will have greater knowledge of prices and offered bonds, providing more transparency and improving the pricing of the bonds in the primary and secondary markets.

- **Improving Liquidity and Transparency**
 - Screen Trading and the COMPARE system.
 - Disclosure, by Andima, of the deals set in SISBEX, with delay of just 15 minutes.

Foreign investors stance in domestic market

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

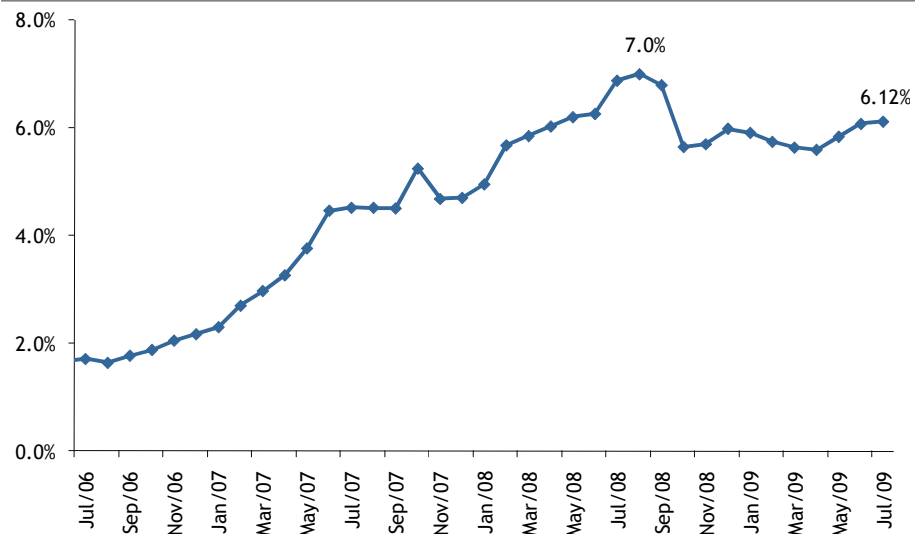


Source: CVM

- On the debt market, their portfolio is concentrated in fixed rate and inflation linked longer term bonds.

- The foreign investors have already returned to the Brazilian fixed income and equity markets.

Foreigner's Investors: Domestic Debt Participation %

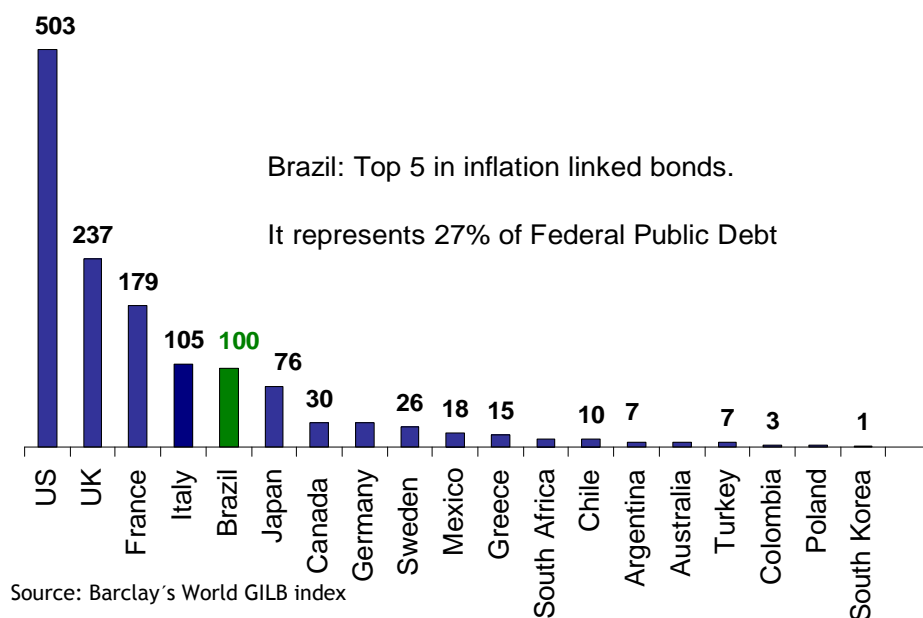


Source: Until 06/08 CVM. After, SELIC.

*From 07/08 the outstanding of the domestic debt does not include bonds registered on Cetip, held by individuals and extra-market

National Treasury Performance - *Big opportunities in the domestic market*

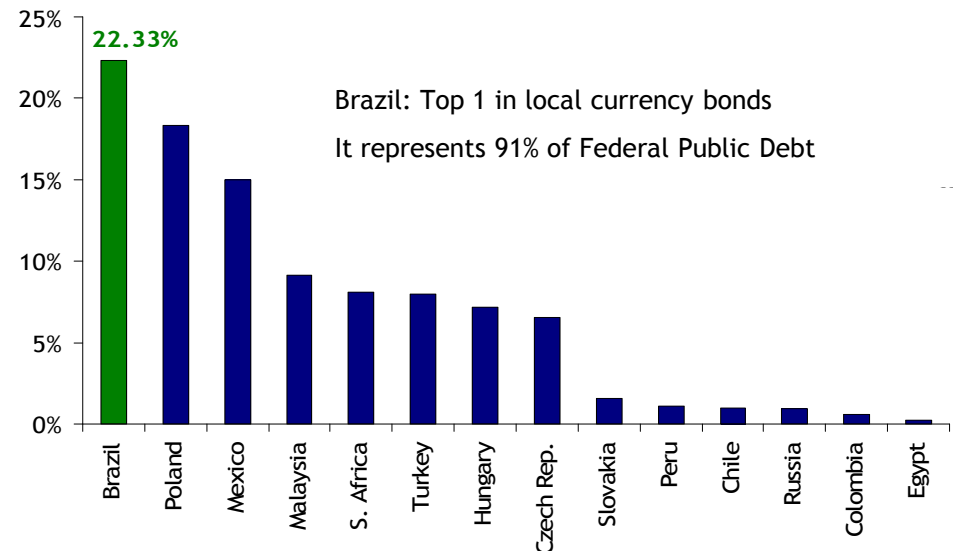
GILB index - Domestic Inflation linked Bonds



- Brazil represents 22.3% of EMs total market cap in local currency bonds, according to JP Morgan's GBI-EM Index.

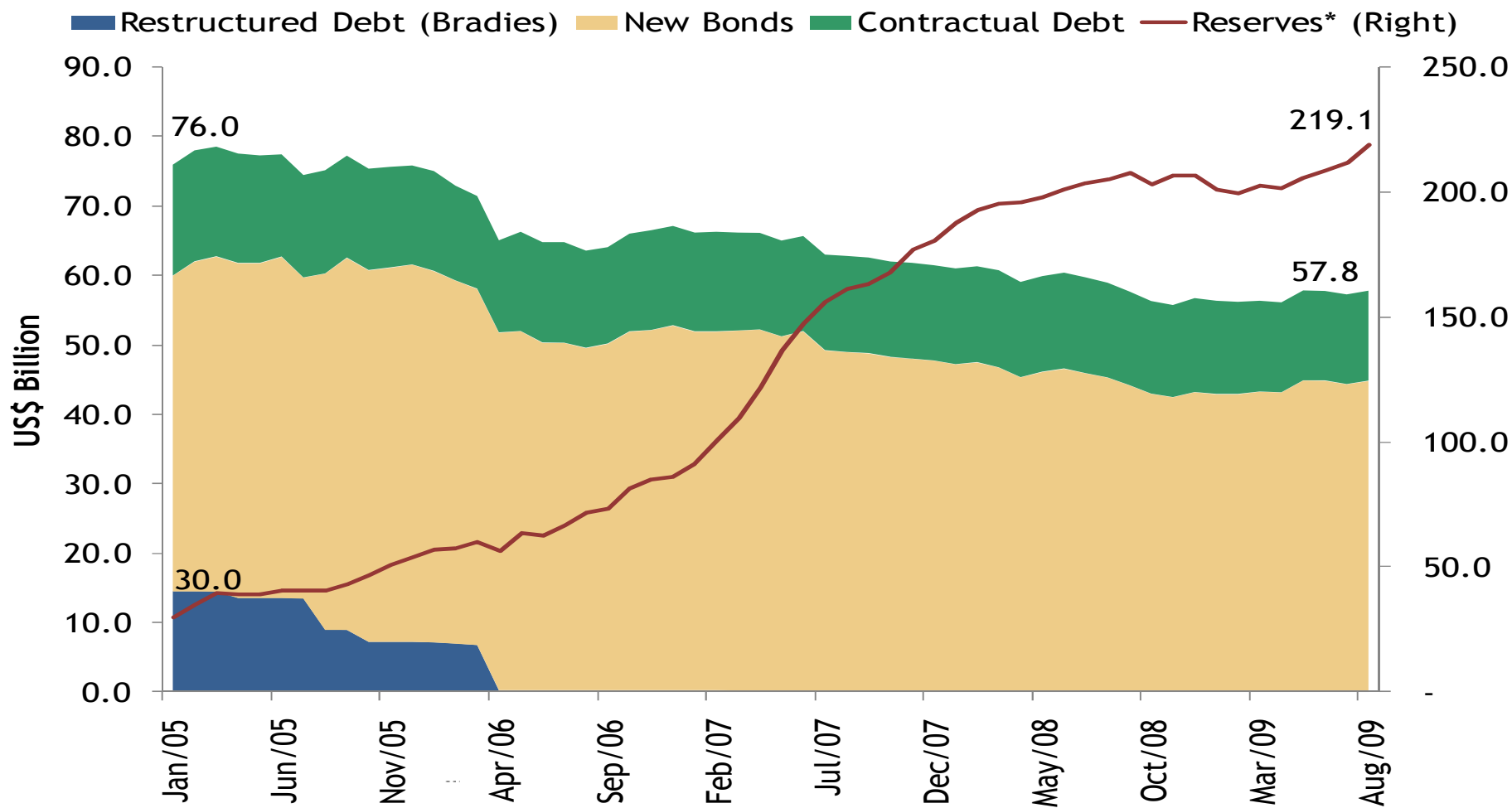
- Brazil represents about 7.3% of world's total market cap in domestic inflation-linked bonds, according to Barclay's World GILB index.

GBI-EM Index



External Public Debt - Indicators

External Debt – National Treasury

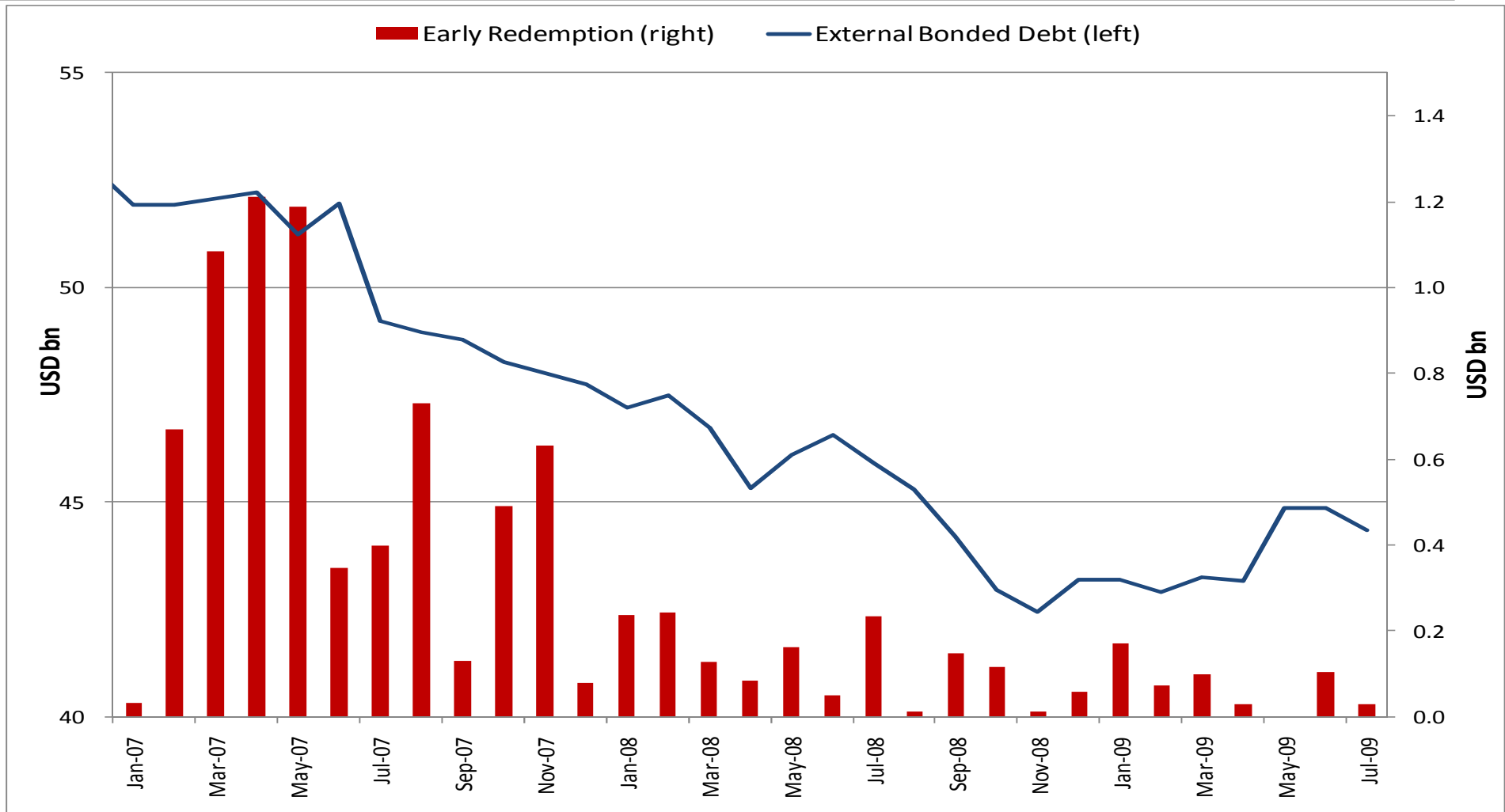


Source: National Treasury

* Liquidity Concept

External Public Debt - Indicators

Early Redemption Program - Reduction on External Debt's Payment Flow

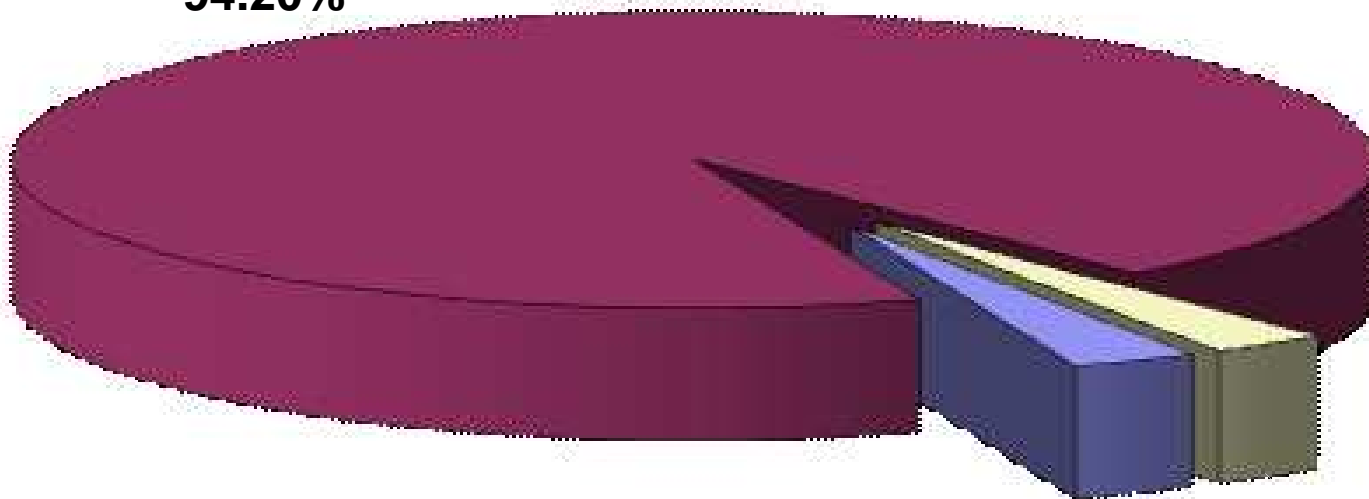


Source: National Treasury

Green Shoe – Extending Brazilian taps to the Asian Market

Deals distribution per region (1st tranche + Green Shoe)

1st Tranche ex -Asia:
US\$ million 4,604.25
94.20%



1st Tranche to Asia:
US\$ million 145.75
2.98%

**2nd Tranche (Asia
Green Shoe):**
US\$ million 137.50
2.81%

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.
- 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.
- **Release (Sep-09):** Based on the combined score (Gerin, operated by the Central Bank of Brazil, and Investor Relations Office of the National Treasury), Brazil has individually become the first country to score 38 out of 38 in prioritized terms in both IROs.

**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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ANNEX

A steady level of public external debt with improved profile

Issuance Amounts

Issuances	Launch Date	Settlement Date	In US\$ million Total	Maturity	Yield	Spread ¹	EMBI BR at issuance	Leading Managers
2005 Program								
Global 2019	10/06/04	10/14/04	1,000	15 years	9.15%	492	445	JPMorganChase / Citigroup
Global 2014*	12/03/04	12/08/04	500	10 years	8.24%	398	411	Morgan Stanley / JP Morgan
Euro 2015	01/20/05	02/03/05	650	10 years	7.55%	398 ²	433	BNP Paribas / Deutsche Bank Ag London
Global 2025	01/31/05	02/04/05	1,250	20 years	8.90%	431	417	Deutsche Bank / UBS
Global 2015	02/28/05	03/07/05	1,000	10 years	7.90%	353	391	JPMorganChase / Citigroup
Global 2019*	05/10/05	05/17/05	500	14 years	8.83%	458	420	Merrill Lynch / Goldman Sachs
Global 2034*	05/25/05	06/02/05	500	29 years	8.81%	440	427	Deutsche Bank / Bear Stearns
Global 2015*	06/21/05	06/27/05	600	10 years	7.73%	363	407	Citigroup / HSBC
Total Issued			6,000					
2006/2007/2008 Program								
Global 2025*	09/06/05	09/13/05	1,000	20 years	8.52%	417	399	Morgan Stanley / Bear Stearns
Global BRL 2016	09/19/05	09/26/05	1,479	10 years	12.75%	-	364	JPMorgan Securities Inc. / Goldman Sachs & Co
Global 2015*	11/09/05	11/17/05	500	10 years	7.77%	312	347	Citigroup / HSBC
Global 2034*	11/29/05	12/06/05	500	28 years	8.31%	363	349	Merrill Lynch & Co. / Barclays Capital
Global 2037	01/10/06	01/18/06	1,000	30 years	7.57%	295	280	Deutsche Bank / UBS
Euro 2015*	01/30/06	02/03/06	362	9 years	5.45%	185 ³	262	Dresdner Bank AG London / Barclays Capital Inc
Global 2037*	03/16/06	03/23/06	500	31 years	6.83%	204	225	JPMorgan Securities Inc. / HSBC
Global BRL 2022	09/06/06	09/13/06	743	15 years	12.88%	-	218	Citigroup / JPMorgan Securities Inc.
Global BRL 2022*	10/05/06	10/13/06	301	15 years	12.47%	-	228	Merrill Lynch & Co. / UBS
Global 2017	11/07/06	11/14/06	1,500	10 years	6.25%	159	212	Barclays Capital Inc / Deutsche Bank
Global BRL 2022*	12/04/06	12/11/06	346	15 years	11.66%	-	224	Morgan Stanley / Goldman Sachs & Co
Global 2037*	01/23/07	01/30/07	500	30 years	6.64%	173	185	Bear Stearns / Merrill Lynch
Global BRL 2028	02/07/07	02/14/07	715	20 years	10.68%	-	186	JPMorgan Securities Inc. / UBS
Global BRL 2028*	03/20/07	03/27/07	361	20 years	10.28%	-	186	Barclays Capital Inc / Citigroup
Global 2017*	04/03/07	04/10/07	525	10 years	5.89%	122	164	Morgan Stanley / Merrill Lynch
Global BRL 2028*	05/10/07	05/17/07	389	20 years	8.94%	-	154	Deutsche Bank / HSBC
Global BRL 2028*	06/19/07	06/26/07	393	20 years	8.63%	-	143	Credit Suisse / J.P. Morgan Securities Inc
Global 2017*	05/07/08	05/14/08	525	10 years	5.29%	140	122	HSBC / Deutsche Bank
Global 2019N	01/06/09	01/13/09	1,025	10 years	6.13%	370	397	Goldman Sachs / Merrill Lynch
Global 2019N*	05/07/09	05/14/09	750	10 years	5.80%	252	305	Barclays Capital Inc. / Citigroup Global Markets Inc.
Global 2037*	07/29/09	08/05/09	525	30 years	6.45%	195		Deutsche Bank Securities Inc. / J. P. Morgan Securities Inc.
Global 2041	09/30/09	07/10/09	1,275	30 years	5.80%	175		Barclays Capital Inc. / HSBC Securities (USA) Inc.
Total Issued			15,215					

Source: National Treasury

¹ In basis points (local currency), at issuance date.

² Spread over Deutsche Premier Bond 2015

³ Spread over the 9-year mid-swap interest rate

* Reopening Issuance

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	21.8
C-Bond call (Oct-05)	1.1
Brady Bonds call (Apr-06)	6.5
Tender Offer (Jun-06)	1.3
Early Redemption Program ²	12.9
2006	6.0
2007	5.4
2008	1.2
2009	0.4
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	43.9

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

² The program started in Jan/06. For 2009, value repurchased up to 06/30/2009.

³ Announcement