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FEDERAL PUBLIC DEBT: ANNUAL REPORT 2007

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Message from the Minister of Finance

Garnering the fruits of the macroeconomic stability so arduously achieved in the recent past, the robust Gross Domestic Product growth registered in the last several years has positioned Brazil as one of the six major global economies, according to the criterion of purchasing power parity. The underpinnings of this position have been the government's unswerving commitment to fiscal adjustment, firmly controlled inflation and a strong external sector performance. Driven by such factors as an increased flow of credit to the private sector, financial market development, channeling a share of private savings into the productive sector, and other macroeconomic advances, the dynamics of growth have rippled out into the various segments of the economy. In terms of the Brazilian economic structure, growth has been more equitably distributed, balanced and sustainable. The results of this process can be summarized in expanding formal employment opportunities, improved income distribution - complemented by ongoing social programs, and a burgeoning private sector powered by domestic consumption, the hallmarks of a process that will certainly continue into the future.

The flip side of this evolution has been a sharp reduction in the nation's vulnerabilities, based on significant improvement in debt indicators. In the domestic framework, the debt profile improved and average maturities were lengthened. Externally, Brazil's international reserves have expanded dramatically, while the country's foreign debt has diminished, clearly enhancing its capacity to withstand external shocks, compared to the vulnerabilities of the past.

I take pride in presenting this 5th edition of the Annual Public Debt Report, containing a detailed description of Federal Public Debt management over the course of 2007 in the framework of the guidelines set down at the start of the year. In the National Treasury's role of closely monitoring Federal Public Debt risks and costs, we have made important progress toward a more adequate liability structure, capable of withstanding market turbulence, without jeopardizing already highly successful macroeconomic policy.

Guido Mantega
Minister of Finance

Message from the National Treasury Secretary

It is with a sense of enormous satisfaction that the National Treasury presents this Annual Public Debt Report for 2007, a document that has consolidated its position as an important instrument in ensuring the transparency of the policies adopted by the National Treasury Secretariat, the institution in charge of the Federal Public Debt - DPF management.

Despite the external turmoil that marked the second half of 2007, the targets defined at the start of the year and published in the Annual Borrowing Plan - PAF were achieved, as one more step in the process of long-term planning. The main guidelines were followed, including cutbacks in the share of floating rate and exchange rate indexed DPF, while simultaneously and gradually increasing the participation of fixed rate and inflation-linked bonds. Among the highlights of the year, one should underscore such achievements as the lengthening of the average DPF term from 35.5 months to 39.2 months, coupled with a 4.2 percentage point reduction in the share of the debt maturing over the next 12 months and sharp improvement in debt composition, as the fixed rate and inflation-linked shares rose to an overall joint total of approximately 60% of DPF.

With regard to the External Federal Public Debt - DPFe, the National Treasury continued to play a highly active role, closely observing market conditions and achieving a US$ 6.2 billion reduction in liabilities. Based on issuances of a qualitative nature, the Treasury moved forward in building an external fixed rate curve with the issuance of global bonds denominated in local currency (BRL) and maturing in 2028 (Global BRL 2028). The Early Redemption Program involving External Federal Public Debt Bonds was extended to all maturities on the external curve. Over the course of the year, more than US$ 5.4 billion in bonds were redeemed, generating a reduction of US$ 9.4 billion in interest outlays and contributing to improvements in the interest curve, as a result of the reduction in the stock of bonds classified as inefficient.

Our efforts also focused on expanding and diversifying the DPF investor base, involving institutional investors and stimulating operations on the secondary public bond market. Parallel to these steps, the Treasury Direct Program, a mechanism for selling public bonds to retail investors over the Internet, is now nearing six years of operations. The Program has already surpassed the mark of 100,000 registered investors, demonstrating the success of this important instrument designed to stamp a more democratic character on the process of savings formation.

The results of these untiring efforts have been acknowledged by various sectors. Never has the country been so highly regarded by the international community and by rating agencies, in a process of steady and consistent evolution that stands as a harbinger of the positive outlook for the future.

Arno Hugo Augustin Filho
National Treasury Secretary

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Section 1 – Evolution of Expectations in 2007

At the end of 2006, the outlook for 2007 was predominately optimistic, primarily as a result of expanding domestic economic activity in a framework of price stability and growing income, coupled with a favorable external situation.

In the early part of the **first quarter** of the year, forecasts of stronger and sustained growth in 2007, compared to the previous year, were backed by continued implementation of solid fiscal and monetary policies, together with the expected impact of steady downward movement in basic interest rates. Nonetheless, economic activity indicators showed a greater than expected lag in the impact of monetary policy measures on growth. The Federal Government announced the Acceleration Growth Program - PAC in January, with the objective of stimulating both public and private investment.

Externally, the February drop in the Shanghai stock market provoked momentary volatility, giving rise to discussions regarding the impact of possible changes in the thrust of the Chinese economy. Aside from this, uncertainties surrounding the United States economy raised concerns regarding the risks of an inflationary uptick, on the one hand, and deceleration in the pace of economic activity, on the other (primarily, as a result of bottoming out of the real estate market).

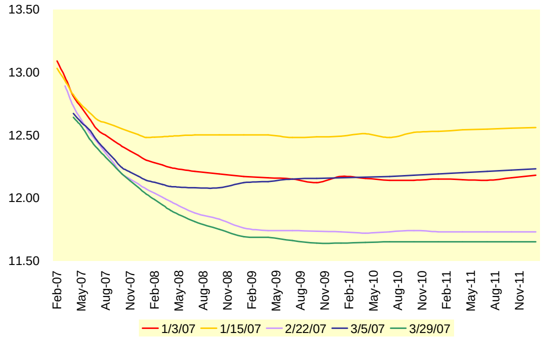
However, it was generally thought that the highly positive situation of Brazilian external accounts would substantially attenuate the effects of any external turbulence. Coupled with a positive situation of price inertia that continued into the new year, this factor indicated that the inflation path in 2007 would be benign. In this context, the greater than expected rise in the Broad Consumer Price Index (IPCA) in the first quarter of the year did not generate any significant shifts in expectations regarding inflation in relation to the target center.

In March, IBGE (Brazilian Institute of Geography and Statistics) announced its new national accounts calculation methodology, demonstrating that the Brazilian economy was considerably more dynamic than originally thought. Average GDP growth in the last five years was revised upward from 2.5% to 3.2%, while the nominal value of GDP closed at a level approximately 11% higher. As a result, the Net Public Sector Debt/GDP ratio dropped sharply from 50% to 44.7% (end-2006 position).

Public accounts were marked by continued stability, with a highly positive outlook as regards reductions in nominal interest payments, as the Selic rate continued on a downward slide. The public sector primary result in the quarter was higher than the previously defined target, while the Net Public Sector Debt/GDP ratio continued on a downward trend.

As expected, the Central Bank continued implementing the more flexible monetary policy adopted in September 2005. In the monetary policy framework, the major discussion early in the year concerned whether the interest rate cutback would decline in 2007. The Selic rate dropped 25 basis points at each of the two Monetary Policy Committee (Copom) meetings held in the first quarter of 2007, closing the quarter at 12.75% per year. Interest curves showed negative inclination during the entire first three months of the year, with consistently downward parallel shifts as of mid-February.

Graph I
Interest Rate Curve-1st Quarter



Source: BM&F

The positive outlook for the Brazilian economy continued into the **second quarter** of the year. Signs of sharper activity growth and clearly harnessed inflation became more evident. In May, the sovereign long-term credit rating in foreign currency was raised to just one level below investment grade by Fitch and S&P. The latter classified sovereign long-term credit in local currency at BBB, just one notch above investment grade.

Even considering the positive evolution of capital goods absorption, the increased dynamics of production raised the level of utilization of installed industrial capacity, which had become a key variable in the Copom assessment of inflation risks.

In May, the announcement of 4.4% GDP growth in the first quarter of 2007 compared to the same period of the previous year ratified perceptions of strong recovery in the pace of economic growth. Retail indicators showed steady job market expansion, particularly, as regards generation of formal employment opportunities, with evident impacts on income levels and the credit market.

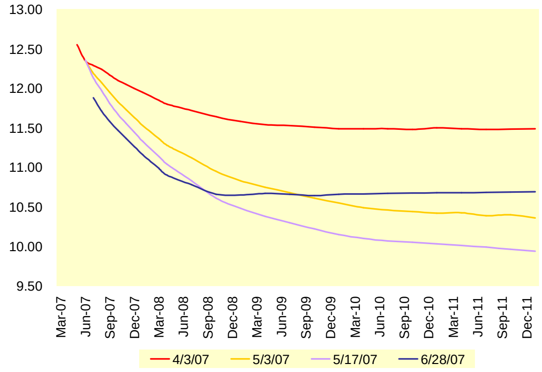
The performance of the economy gave rise to debate on the limits of potential growth and the possibility of an upturn in demand inflation. However, IPCA inflation moved steadily on a trajectory that indicated it would close below the target center. This, of course, was to some extent aided by continued devaluation of the dollar against other major currencies and by maintenance of a continued positive exchange flow. In this context, after cutting 25 basis points from basic interest rate in April, Copom resolved to expand the cuts to 50 basis points in June, closing the quarter at 12.0% per year.

In order to adjust to the increase in the nominal value of GDP announced in March, alterations were introduced into the 2007 LDO (Budgetary Guidelines Law), defining the target for the public sector primary surplus at a nominal value of R$ 95.9 billion, equivalent to 4.25% of the previously estimated GDP. Aside from this alteration, the value of investments included in the PPI (subject to deduction from the surplus target) was expanded from R$ 4.6 billion to R$ 11.3 billion. The alteration in the target did not constitute a threat to fiscal commitments assumed by the public administration, since it maintained the same previously defined nominal value for the primary surplus.

The balance of external risks focused on the contrast between a possible downturn in the United States economy and more accelerated inflation, evinced by enhanced volatility in the second half of the quarter.

Interest curves showed negative inclination during the entire quarter, with consistent downward movement in the first half and a rise in the long point in the second half, mainly reflecting uncertainties regarding the external scenario.

Graph II
Interest Rate Curve-2nd Quarter



Source: BM&F

In the **third quarter** of the year, the evolution of domestic demand confirmed expectations of accelerated growth, backed by very robust results in indicators involving the domestic economy. On the other hand, external volatility worsened, as evinced by the credit crisis in the United States triggered by the turmoil in the subprime mortgage credit market.

With respect to aggregate demand, the excellent results registered by the retail trade sector were generated primarily by gains in real income and improved credit conditions. Industrial output reached its highest level in three years and was shared by companies of highly varied dimensions. With this, utilization of installed output capacity rose sharply.

According to IBGE, GDP expanded 4.9% in the first half of 2007, compared to the same period of the previous year. Domestic demand was entirely responsible for the new found dynamics of activity. Particular mention should be made of growth in Household Consumption (5.9%) and Investments (10.6%).

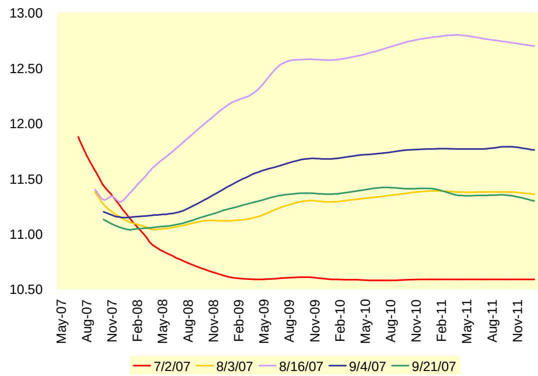
IPCA inflation rose sharply, due primarily to seasonal factors that impacted food prices and to the repercussions of higher international commodity prices. Discussions with regard to the possibility of an upsurge in pressures generated by rising domestic demand became more frequent, though, at that point, current data did not indicate imminent risk.

External market turmoil demonstrated the reduced vulnerability of the country to international financial turbulence, as the nation managed to maintain a positive external accounts scenario, with exchange rate market fluctuations at a relatively innocuous level. With the unexpected September cutback in United States interest rates, external volatility cooled significantly.

In this context, on two additional occasions the monetary authority decided to reduce the basic interest rate by 50 basis points in July and 25 basis points in September. As a result, the Selic rate closed the third quarter of the year at 11.25% per year.

With this scenario, interest curves took on a predominantly positive incline with a shift upward through the midpoint of the quarter, subsequently dropping to lower levels.

Graph III
Interest Rate Curve-3rd Quarter



Source: BM&F

In the **fourth quarter**, economic activity indicators clearly pointed to growth projections above what had been considered 2007 potential. Despite this, the labor market continued strong, with signs of strong potential growth in installed industrial output.

As planned, the 2007 IPCA closed quite near to the target center of 4.5% defined for the year. In the final quarter, evolution of food prices was the major target of the analysis carried out by financial market agents.

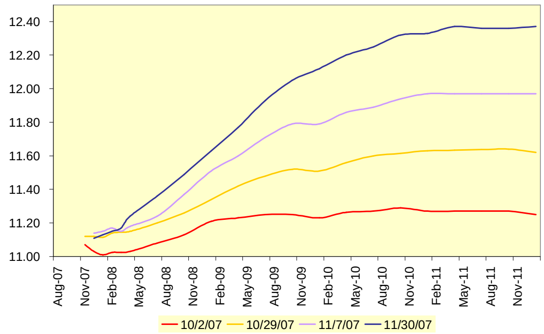
Foreign investment in 2007 made a particularly strong contribution to the highly positive Capital and Financial Account balance of more than US$ 80 billion. While inflows of "other foreign investments"[1] remained high compared to the 2006 balance, foreign direct investments and foreign portfolio investments expanded significantly. This performance reflected increased international confidence in the performance of the Brazilian economy and in the local capital market.

In the external framework, fears of a large-scale financial crisis heightened. Expectations pointed to a dampening of economic activity, led by the United States market. Oil prices set successive record highs driven by limited supply and geopolitical issues. The dollar continued on a downward curve against other currencies, as expectations of new interest rate reductions in the United States solidified.

Tax collections easily surpassed the amount forecast at the start of the year and made it possible for the Central Government to comply with its primary surplus target, with considerable leeway. The DLSP/GDP ratio ended the year at approximately 43.5%, against 44.7% in December of the previous year.

Following 18 consecutive reductions, Copom interrupted the downward Selic rate slide in October and decided to hold the rate at 11.25% per year, primarily as a result of uncertainties surrounding the external scenario and strong domestic activity. Reflecting this decision, interest rate curves registered positive inclination, with a significant rise in the long segment during the course of the quarter.

Graph IV
Interest Rate Curve-4th Quarter



Source: BM&F

[1] Refers to the total sum of net flows of Brazilian liabilities in the modalities of trade credits, loans and financing, currency and deposits and other liabilities.

Section 2 - Advances in Federal Public Debt Management[2]

In 2007, the National Treasury achieved considerable progress in the efforts it has made in recent years to improve Federal Public Debt - DPF management. Among domestic market measures taken, one should highlight implementation of the strategy of creating and improving benchmarks for fixed rate bonds, coupled with the first issuance of NTN-F 2017, the longest term fixed rate bond ever issued in national market.

Externally, the National Treasury also assumed full responsibility for operating the Early Redemption Program that had previously been the task of the Central Bank as financial agent of the Treasury. This program, which is designed to improve the external debt profile while lengthening average maturities, repurchased US$ 5.4 billion at face value over the course of 2007.

Another constant concern of the National Treasury is the development of the secondary public bonds market, particularly regarding increased transparency and liquidity. Over the course of the year, the National Treasury participated in discussions and studies aimed at elaborating measures capable of eliminating barriers to development of this market.

Following is a list of the major steps taken by the National Treasury on both the domestic and external markets, with the ultimate objective of improving DPF management.

2.1. External Market

In January 2006, the National Treasury implemented the Early Redemption Program[3] involving external debt. This Program consists of buybacks of sovereign debt bonds. Initially, the objective was to reduce the concentration of shorter term maturities, while increasing the average DPF term and, consequently, reducing refinancing risk. Starting in 2007, the Program began to seek interest rate curve improvement through reductions in the stock of bonds that distorted the curve and, consequently, concentrate on the benchmark points.

Table I

Results of the Early Redemption Program (2007)

US$ thousand

	Asset	Buyback	Outstanding in Dec-07
GLOBAL	BR08N	-	582,344
	BR08	17,700	974,002
	BR09F	13,800	256,128
	BR09	-	1,005,226
	BR10	-	428,831
	BR10N	119,908	842,267
	BR11	90,400	666,557
	BR12	219,030	889,689
	BR13	207,080	1,039,348
	BR14	379,000	794,607
	BR15	330,617	1,769,383
	BR16[1]	-	1,570,947
	BR17	-	1,980,537
	A Bond	846,301	3,662,270
	BR19	167,470	1,332,530
	BR20	76,850	683,215
	BR22[2]	-	1,390,156
	BR24	244,110	1,816,696
	BR24N	40,000	700,271
	BR25	388,073	1,861,927
	BR27	649,162	2,786,611
	BR28[3]	-	1,858,152
	BR30	172,486	844,211
	BR34	290,812	2,406,990
	BR37	-	2,488,304
	BR40	1,105,000	4,052,311
FACE VALUE - TOTAL (US$)		**5,357,799**	**38,683,510**

Source: National Treasury

1) Amount converted by the US$ exchange rate of 06/30/2006, corresponding to R$ 3,400,000,000.00.

2) Amount converted by the exchange rates agreed of R$ 2.1524/US$ (issuance), R$ 2.1614/US$ (reopening) and R$ 2.1672/US$ (2nd reopenging). Total corresponding to R$ 3,000,000,000.00;

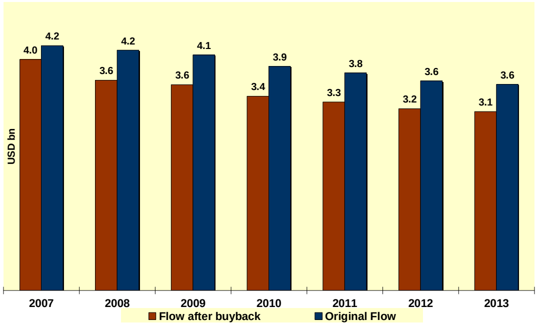
3) Amount converted by the exchange rates agreed of R$ 2.09875/US$ (issuance), R$ 2.0790/US$ (reopening), R$ 2.0234/US$ (2nd reopening) and R$ 1.9060/US$ (3rd reopening). Total corresponding to R$ 3,787,500,000.00.

[2] It is important to mention that all of the data presented in this document refer to DPF held by the public and do not consider the share of DPMFi held by the Central Bank.

[3] Between January and December 2006, the Program was implemented within the framework of the National Treasury's external borrowing strategy, executed by the Central Bank trading desk. It involved securities maturing through 2010, later extended to 2012. Since January 2007, the Program has been fully executed by the National Treasury's external debt operations desk and includes all securities in the sovereign interest curve, independently of its maturity.

Buybacks in 2007 totalled US$ 7.0 billion in financial value (US$ 5.4 billion at face value[4]), reflecting a withdrawal of approximately 12.1% of the overall stock of global bonds from the market in December 2006.

Graph V
Payment Flows before and after Buybacks (2007)



Source: National Treasury

The overall reduction in interest to be paid by 2040 as a consequence of the Early Redemption Program reached US$ 9.4 billion in current values. With anticipated redemptions, the volatility of DPF service decreases, while refinancing risk and market risk are reduced. At the same time, the profile of the curve is greatly improved by withdrawal of bonds with high nominal value.

In the external market, issuances followed the guidelines set down in the 2007 Annual Borrowing Plan - PAF, which determined that External Federal Public Debt - DPFe management for the 2007-2008 period would be essentially qualitative in nature, and would have the objective of consolidating the external interest rate curve through construction and maintenance of benchmarks in major bond markets.

In this sense, National Treasury external market issuances in 2007 totaled US$ 2.9 billion. Among these, particular mention should be made of the highly successful BRL 2028 issuance in February, which established a benchmark for 20-year bonds in local currency abroad. Demand was significantly higher than supply, resulting in the lowest costs among all external issuances in local currency carried out up to that time. Three reopenings of this bond took place in March, May and June, at declining rates and, when viewed together with the initial issuance, totaled US$ 1.9 billion, becoming an important benchmark at this point on the curve.

BRL 2028 became the bond in local currency with the longest maturity. The highly positive result achieved by the issuance of this bond was a direct result of the environment of increased foreign investor confidence, as demonstrated by low country risk levels, coupled with improvements in Brazil's assessment by the major rating agencies.

Box I - BRL Bonds and the "Original Sin"

From the investor point of view, emerging markets bear the mark of "Original Sin" or, in other words, when taking loans abroad they do so in foreign currency. In this case, when foreign investors become more conservative, the value of the local currency in relation to the foreign currency fluctuates, impacting the costs borne by the borrower. For a long period of time, Brazil was the largest borrower among emerging countries and had to cope with a series of devaluations over the years. However, in September 2005, the country initiated something similar to remission of its sins, by issuing the first sovereign debt bond denominated in its own currency, the BRL 2016.

Since first issuance of the Global BRL 2016 in 2005, the National Treasury has constructed an interest curve denominated in local currency and has placed two other maturities on the market in recent years: BRL 2022 and BRL 2028. With the passing of time, Brazil has benefited from a strong

[4] Financial value represents the volume in foreign currency required for payment of the securities redeemed. Face value reflects the impact of anticipated redemption on DPFe statistics.

economic policy, founded upon inflation control, an austere fiscal policy and positive external sector performances, and all of this in the midst of a highly favorable international scenario. As a result, the interest rates demanded on issuance dates dropped sharply, as shown in the appended table. It is important to recall that, on the date of its opening in February 2007, BRL 2028 obtained a yield of 10.68% per year, followed, at the most recent reopening in June 2007, with a yield of 8.63% per year, the lowest rate ever paid by a bond referenced to local currency with this maturity, even when domestic market issuances are taking into account.

Table II
External Issuance in BRL

Operation	Issuance Date	Volume Issued (R$ mn)	Term (years)	Yield
BRL 2016 (Issuance)	9/19/2005	3400	10	12.750%
BRL 2022 (Issuance)	6/9/2006	1600	15	12.875%
BRL 2022 (1st Reopenning)	5/10/2006	650	15	12.466%
BRL 2022 (2nd Reopenning)	4/12/2006	750	15	11.633%
BRL 2028 (Issuance)	7/2/2007	1500	20	10.680%
BRL 2028 (1st Reopenning)	3/20/2007	750	20	10.280%
BRL 2028 (2nd Reopenning)	5/10/2007	750	20	8.938%
BRL 2028 (3rd Reopenning)	06/19/2007	750	20	8.626%

Source: National Treasury

All are aware that construction of the local currency interest rate curve abroad is an objective sought by debt management and one understands that it is complementary to the domestic curve. As viewed by investors, confidence in the strength of a bond issued in local currency underpins the credibility of economic policy and of the country itself, absolving the fragilities of the past with the virtues of the present.

Is also important to stress that, aside from reducing the country's exposure to exchange risk, external issuances in local currency are fundamental to the building of an external interest rate curve benchmark in local currency. This, in turn, aids in developing the medium and long-term fixed rate domestic curve, while also opening space for private issuances with similar characteristics.

With respect to issuances in foreign currency, the National Treasury held the second reopening of the Global 2037 in January, in an amount of US$ 500 million, raising the total stock of this bond to US$ 2.5 billion. The operation obtained a yield below that of the original issuance and first reopening, thus reinforcing the process of improving the country's macroeconomic conditions.

Table III
External Issuance in Dollars

Operation	Issuance Date	Volume Issued (USD mn)	Term (years)	*Yield*
Global 2037 (Issuance)	1/18/2006	1,000	30	7.557%
Global 2037 (1st Reopenning)	3/23/2006	500	30	6.831%
Global 2037 (Exchange Offer)	8/16/2006	500	30	7.150%
Global 2017 (Issuance)	11/14/2006	1,500	10	6.249%
Global 2037 (2nd Reopenning)	1/30/2007	500	30	6.635%
Global 2017 (1st Reopenning)	4/11/2007	525	10	5.888%

Source: National Treasury

The second reopening of the Global 2017 occurred in April in the amount of US$ 525 million, with US$ 500 million on the North-American and European markets and US$ 25 million on the Asian market. This was a clear signal of the importance of expanding the investor base, particularly in the latter region, for DPF management purposes.

In this regard, in 2005, the National Treasury had decided to implement an innovative measure: it began opening global bond issuances at a time that was compatible with the opening of operations on the Asian market (Hong Kong), bringing them to a close when the New York market ended its operations.[5] This first step was important in the sense of getting those investors accustomed to primary issuances of

[5] Previously, external issuances opened and closed according to the European and American markets.

sovereign debt bonds. Not only was this measure well received by the market, the practice soon became common and was adopted by a number of other emerging issuers.

As of April 2007, an option was made for a strategy known as green shoe, with the objective of improving access to the Asian market and protecting both the Republic and investors against possible volatilities during the operation. In this framework, the National Treasury issues bonds within a time frame compatible with the American market and reserves the right to reopen it automatically on the Asian market, with a predetermined volume and the same conditions under which these bonds were sold at the initial opening. Consequently, of the three issuances with the possibility of reopening on the Asian market, the National Treasury opted not to continue only in the most recent, in June 2007. This occurred because the bond performed very well during the day and increased in value after closing of the operation on the American market.[6]

The reopenings of Global 2017 and Global 2037, together with implementation of the Early Redemption Program, reveal the Treasury's commitment to improving the profile of the curve in dollars, with the aim of correcting possible distortions, mainly in the longer segment of the curve.

Looking at external issuances as a whole, the steady reduction in their spreads, together with intense demand, clearly demonstrated the high level of investor interest in Brazilian assets and consolidated Brazil's new status as sovereign issuer on the international market.

Regarding the impact of the measures cited above on the stock of the external bonds debt, there was a net reduction of US$ 5.6 billion, important to the decline in DPFe from US$ 67.1 billion in 2006 to US$ 61.5 billion in 2007. Since net issuance in local currency occurred within the framework of the objective of constructing the external interest rate curve referenced to domestic currency, net redemptions were reflected basically in the share of the debt denominated in dollars. Consequently, the stock of DPFe referenced to BRL increased from US$ 3.1 billion in 2006 to US$ 6.1 billion in 2007, while the debt referenced to foreign currency dropped from US$ 64.0 billion to US$ 55.4 billion in the same period.

The measures taken in terms of DPFe management over the course of 2007 resulted in a situation in which National Treasury foreign currency purchases were approximately US$ 12.6 billion greater than sales. As shown in the following table, this result was heavily impacted by maturity of debt principal and interest and by the Early Redemption Program, clearly demonstrating the robustness of the Brazilian economy in the context of foreign currency borrowing requirements.

Table IV
Impacts of External Debt Management Strategy (US$ billions)

		Impact (2007) on Stock	on USD flow
A	Maturity	3.7	8.5
	Principal	3.7	3.7
	Interest	-	4.7
B	Early Redemption Program	5.4	7.0
	Face Value	5.4	
	Financial Value		7.0
C	Issuances	3.6	2.9
	USD	1.7	1.0
	BRL	1.9	1.9
D	Net Redemption	*5.6*	*12.6*

Source: National Treasury

[6] Had the operation been extended to Asia, the National Treasury would have had to offer a larger price concession than that offered at the start of the operation.

2.2. Domestic Market

The Secondary Bonds Market Work Group was created in 2007. Coordinated by ANDIMA (National Association of Financial Market Institutions) and ABRAPP (Brazilian Association of Closed Pension Fund Entities), the work group is composed of representatives of the Central Bank, National Treasury, Brazilian Securities and Exchange Commission and Government Pension Fund Secretariat. The task of the Work Group is to breathe new dynamics into this important capital market segment, deepen debates on the role of institutional investors in the secondary market and increase the liquidity levels of fixed rate securities in Brazil.

Parallel to this activity, the National Treasury and Central Bank of Brazil have constantly improved regulations governing the public bonds dealer[7] system, introducing important alterations into the procedures involved in selecting accredited institutions[8]. Here, it is important to highlight the new rules on evaluating operations, giving greater weight to participation in outright operations and public offers with longer average terms, particularly those based on fixed rate bonds indexed to the Broad Consumer Price Index - IPCA.

Aside from this, the number of primary dealers was reduced from 12 to 10, thus increasing competition among institutions during the process of accreditation and, consequently, requiring improved dealer performance in such areas as: participation in public offers, participation in the secondary public bonds market and carrying out of repo operations. In this way, with a more restricted group of dealers, there was a greater need for the accredited institutions to assume a greater commitment to their responsibilities before the National Treasury and Central Bank.

Mention should be made of the fact that alterations in the rules disciplining participation in special National Treasury operations are scheduled for the first half of 2008[9]. The daily opening of spreads by specialist dealers in electronic trading systems[10] will also be taken into account in calculating the monthly performance of these institutions, with access to special operations being conditioned to compliance with predetermined targets. It is believed that this measure will help to raise liquidity and enhance the transparency of secondary public bond market operations.

Finally, another measure implemented by the National Treasury was effective adoption of the benchmark strategy for fixed rate bonds with issue terms of 6, 12 and 24 months in the case of LTN, and 3, 5 and 10 years in the case of NTN-F, thus adjusting issuances to international market standards.

Box II - NTN-F 2017 Issuance

In 2007, in an operation considered a major point of reference by the international market, the National Treasury issued 10-year fixed rate bonds on the domestic market for the first time. NTN-F 2017 became the longest term fixed rate domestic debt bond, supplanting the NTN-F 2014, considered the longest term bond up to that time.

[7] Financial institutions selected by the National Treasury and Central Bank to participate actively in DPMFi primary market security placements and secondary market negotiation of these securities.

[8] The procedures for selecting the institutions that will be included in the groups of primary dealers and specialists are set out in Joint Normative Act no. 13, dated August 07, 2007.

[9] Special operations of the National Treasury Secretariat include sales of federal public securities at the median prices obtained in public offers and purchases of federal public securities at competitive prices, previously defined as restricted to accredited institutions. The rules on access to special National Treasury Secretariat operations are disciplined in Joint Normative Act no. 14, dated August 07, 2007.

[10] Electronic trading systems are systems managed by settlement and custody institutions in which the purchase and sale offers included therein can receive proposals from all investors with access to those platforms.

This bond was well received by the market and reached a volume of R$ 13.2 billion at the end of the year, solidifying its position as a benchmark at that point of the curve. For the most part, these bonds were held by institutional and international investors.

Section 3 - Results Achieved

The objective of DPF management is to **minimizing long-term financing costs, whlie ensuring the maintenance of prudent risk levels and contributing to the well functioning of the public debt market.** To achieve this, the 2007 Annual Borrowing Plan - PAF reaffirmed the following guidelines: i) lengthen average DPF maturities, mainly through increases in the average terms of bonds issued in public offers; ii) reduction of the percentage of DPF maturing in 12 months; iii) gradual substitution of floating rate and exchange rate indexed bonds for fixed rate and inflation-linked bonds; iv) qualitative issuances of bonds in foreign currency; v) incentives to the development of the interest rate term structure for public bonds on domestic and external markets; and vi) broadening of the investor base.

With regard to these guidelines, the major goals were achieved. Here, one should stress lengthening of average bond terms, sharper reductions in the percentage of short-term bonds and improvement in both the DPMFi and DPF profiles.

3.1. Strategy

As presented in the 2007 PAF, The National Treasury borrowing strategy for the 2007 fiscal year was focused on:

Domestic market:

i. Fixed rate bonds: a) increased participation of these securities in the overall public debt and lengthening of average maturities through issuance of longer-term bonds; and b) consolidation of the fixed rate bond issuance structure with LTN benchmarks with terms of 6, 12 and 24 months and NTN-F with terms of 3, 5 and 10 years;

ii. Inflation-linked bonds: a) increase in the participation of NTN-B in 2007 issuances; and b) maintenance of the issuance of these bonds with different maturities;

iii. Floating rate bonds: a) net redemptions of LFT; and b) continued issuance of these bonds with the average terms utilized in the previous year;

iv. Exchange-Indexed Debt: no issuance of NTN-D;

v. Contingent liabilities: securitization of R$ 3.2 billion in CVS securities[11].

External market:

i. For the 2007-2008 period, issuance, qualitative in nature, on the international market, with the objective of consolidating the external yield curves.

ii. Continuation of the program of early redemptions, in a manner consistent with market conditions

3.2. Strategy Implementation and Results Achieved

The tables below shows the positive performance of DPF and DPMFi:

[11] Securities issued by the National Treasury in the framework of renegotiation of debts originating in the Wage Variation Compensation Fund - FCVS, remaining from settlement of home financing contracts. The volume foreseen in the 2007 PAF corresponded to up to R$ 16.0 billion

Table V
Results for Domestic Federal Public Debt - DPMFi

Indicators	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	2007 Mininum	2007 Maximum
Stock of DPMFi held by the public (R$ bn)	731.4	810.3	979.7	1093.5	1224.9	1230	1300
Average Maturity (months)	31.3	28.1	27.4	31.1	36.5	32	36
% Maturing in 12 months	35.3	46.1	41.6	35.7	30.2	29	33
Share of DPMFi							
Fixed Rate (%)	12.5	20.1	27.9	36.1	37.3	37	43
Floating Rate (%)	61.4	57.1	51.8	37.8	33.4	29	36
Inflation Linked (%)	13.6	14.9	15.5	22.5	26.3	23	27
Exchange Rate (%)	10.8	5.2	2.7	1.3	0.9	1	2
Others (%)	1.8	2.7	2.2	2.2	2.1	2	4

Source: National Treasury

Table VI
Results for Federal Public Debt - DPF

Indicators	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	2007 Mininum	2007 Maximum
Stock of DPF held by the public (R$ bn)	965.8	1013.9	1157.1	1237.0	1333.8	1370	1450
Average Maturity (months)	39.0	35.3	33.3	35.5	39.2	37	42
% Maturing in 12 months	30.7	39.3	36.3	32.4	28.2	27	31
Share of DPF							
Fixed Rate (%)	9.5	16.1	23.6	31.9	35.1	33	39
Floating Rate (%)	46.5	45.7	43.9	33.4	30.7	26	32
Inflation Linked (%)	10.3	11.9	13.1	19.9	24.1	20	24
Exchange Rate (%)	32.4	24.2	17.6	12.7	8.2	10	12
Others (%)	1.4	2.1	1.8	2.0	1.9	1	3

Source: National Treasury

Outstanding volume

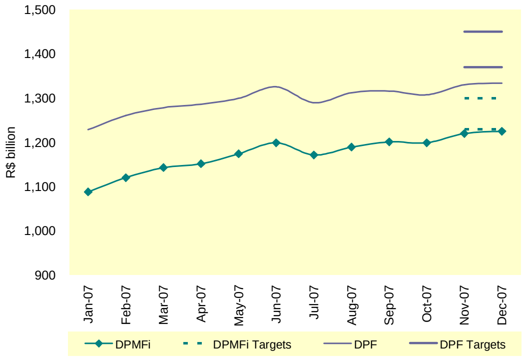
The outstanding volume of DPF expanded 7.8% in nominal terms in 2007, moving from R$ 1,237.0 billion in December 2006 to R$ 1,333.8 billion in December 2007. The latter figure was below the minimum limit defined by the 2007 PAF (R$ 1,370.0 billion).

The Domestic Federal Public Debt - DPMFi expanded 12.0% in nominal terms, evolving from R$ 1,093.5 billion in December 2006 to R$ 1,224.9 billion in December 2007, due mainly to incorporation of interest into the public debt principal. This result is less than the lower limit defined for this indicator in the 2007 PAF (R$ 1,230.0 billion).

The main reason for less than expected growth in outstanding DPMFi volume is that the volume of issuances during the course of 2007 was below the minimum forecasted in the 2007 PAF, due above all else to market conditions. This behavior can also be explained by a sharper downward trajectory of the Selic rate than had originally been forecasted in the scenarios used in the PAF. This fact contributed to a reduction in the cost of the domestic debt and, consequently, to a lesser level of interest accrued into the outstanding volume.

The outstanding volume of the DPFe diminished 24.1%, dropping from R$ 143.5 billion in December 2006 to R$ 108.9 billion in December 2007. The reasons underlying this decline were due to foreign exchange devaluation during the year and continuity of the DPFe Early Redemption Program, coupled with the fact that the maturities of sovereign bonds and contractual liabilities represented a volume greater than new issuances and contracting operations. For this reason, an analysis of the external debt in dollars shows a decline of 8.3%, dropping from US$ 67.1 billion at the end of 2006 to US$ 61.5 billion at the end of 2007.

Graph VI
DPF and DPMFi Stocks



Source: National Treasury

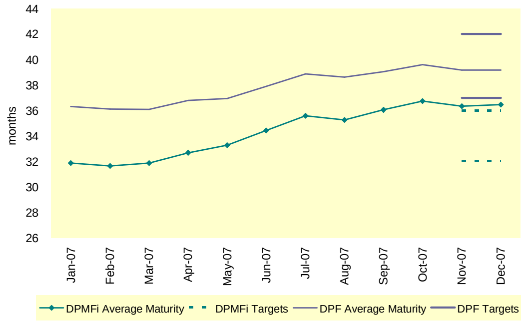
Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

Average Term

The average term of the DPF was well within the parameters defined by the 2007 PAF, closing at 39.2 months (for limits of 37 and 42 months). In its turn, the average term of DPMFi rose beyond the upper limit stated in the 2007 PAF, closing at 36.5 months (for limits of 32 and 36 months).

These results, which clearly demonstrate the lengthening of the public debt profile compared to the previous year, resulted from an increase in the average issuance term of the major DPMFi financing instruments, as well as from buyback operations and exchanges of short-term bonds for longer-term bonds. It is important to stress that, between 2006 and 2007, the average issuance term of inflation-linked bonds increased approximately 10 months, while the maturities of fixed rate bonds rose 4 months. This increase was essential to raising the average DPMFi term by more than 5 months. The issuances in dollars in 2007, which traditionally have longer terms, also contributed to lengthening of the average DPF term.

Graph VII
Average DPF and DPMFi Terms



Fonte: National Treasury

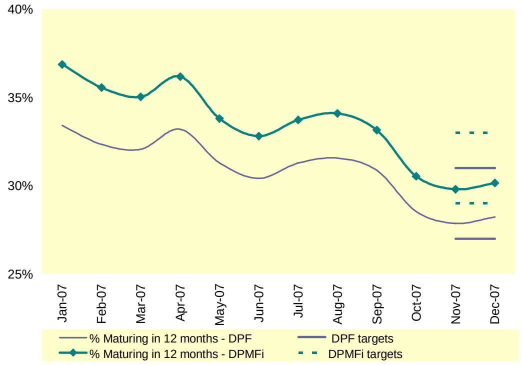
Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

Percentage Maturing in 12 Months

The percentage of both DPF and DPMFi maturing in 12 months closed well within the parameters defined in the PAF, thus ensuring reductions in the refinancing risk. In the case of DPF, this indicator reached 28.2%, for limits between 27% and 31%. The percentage of DPMFi maturing in 12 months closed at 30.2% for parameters between 29% and 33%. Though well within the limits, these results indicated a significant falloff of more than four percentage points, reaching a rather comfortable level in terms of refinancing risk[12]. This result was possible mainly as a consequence of the reduction in bond issuances with terms of less than 12 months.

[12] In the case of DPMFi, for which data have been calculated since December 1999, the percentage maturing in 12 months closed the year at 30.2%, the lowest level since June 2002.

Graph VIII
Percentage Maturing in 12 months – DPF and DPMFi



Source: National Treasury

Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

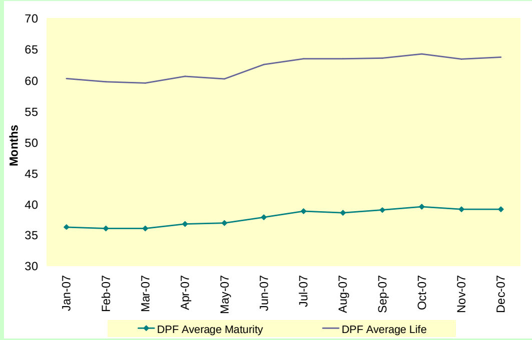
Box III - DPF Statistics and International Comparisons

In an increasingly more integrated world, in which investment opportunities may appear simultaneously in a variety of nations, Brazil has attracted record volumes of resources into both the real sector of the economy and the financial sector. In this framework, international comparisons of indicators are quite frequent and viewed as useful for investors and analysts. With this in mind, the National Treasury has sought to provide debt statistics based on homogeneous methodologies compared to other countries. The objective is to be able to obtain directly comparable relative positions, since specific indicators are often utilized without the necessary concern about the frequently highly distinct methodologies employed.

Average Life versus Average Term

Differently from Average Term, the indicator used by Brazil and which considers both principal and interest flows in its calculation, Average Life indicates only the remaining term of public debt principal. The latter indicator is adopted by many countries as the sole indicator of debt maturity and is often compared to Average Term used by Brazil and published in its monthly reports, Annual Borrowing Plan and Annual Report. In order to illustrate the difference in refinancing risk perceptions when one utilizes the concept of Average Life instead of Average Term, the Average Life of the DPF reached 63.7 months in December 2007, against 39.2 months for Average Term. Despite the difference between such indicators, Brazil has continued utilizing the latter concept, since it more correctly perceives the risks to which DPF is exposed. However, in its reports, it will continue mentioning the Average Life indicator, for the sole purpose of making it possible for analysts and investors to compare Brazilian debt indicators with those of other countries that utilize that concept.

Graph IX
Average Term and Average Life of DPF



Source: National Treasury

Maturity Structure

Just as some countries ignore interest flows in calculating their public debt maturity data, a similar practice is often observed in comparing the percentage of this debt maturing over the short-term. In the Brazilian case, both principal and interest are considered when releasing public documents regarding the debt flow and the percentage of the debt maturing in different terms. This is done to preserve the coherence of Average Term statistics and because it correctly perceives the refinancing risk of public debt. However, some countries announce their debt flows and the percentage of that debt maturing in the short-term, considering only the principal, without including interest due and, in some cases, without updating the flows to current value.

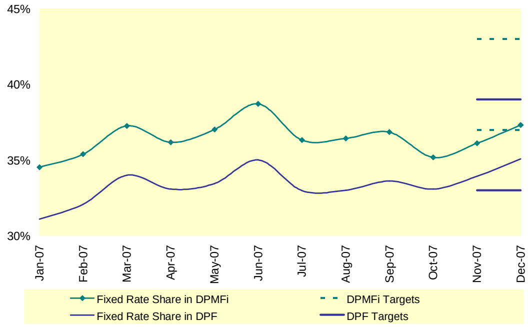
To demonstrate the difference in perceptions of refinancing risk when this criterion is utilized, the percentage of Brazilian DPF maturing in 12 months would drop more than six percentage points, from 28.2% to 22.2% in December 2007. The percentage maturing in up to 2 years would shift from 49.5% to 39.9% and, consequently, that maturing in more than 2 years would be 60.1%, and not 50.5%. Just as occurs with Average Term, despite the perception differences that the second indicator would introduce, it is believed that inclusion of both principal flows and interest flows in calculating the percentage maturing more correctly reflects DPF refinancing risk.

Analysis of Debt Profile

Fixed rate Bonds

The relative participation of fixed rate bonds in the overall volume of DPF increased from 31.9% in December 2006 to 35.1% in December 2007. With respect to DPMFi, growth was somewhat lower, shifting from 36.1% of the overall volume to 37.3%. The result is compatible with the limits defined in the 2007 PAF: from 33% to 39% for DPF and from 37% to 43% for DPMFi.

Graph X
Participation of Fixed rate Bonds



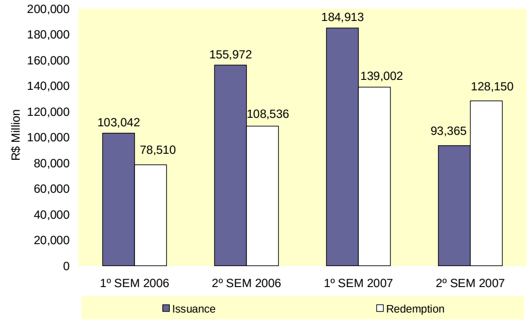
Source: National Treasury

Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

Net issuance of fixed rate bonds in 2007 totaled R$ 11.1 billion. In the first half of 2007, issuance totaled R$ 184.9 billion, 79.5% more than the R$ 103.0 billion issued in the same period of 2006. However, the volume issued in the second half of the year was significantly less than in the same period of the preceding year (R$ 156.0 billion), totaling R$ 93.4 billion. This reduction was generated mainly by external market volatility, primarily in the second half of the year, resulting in greater dispersion and higher rates on fixed rate bonds, leading the National Treasury to adopt a strategic reduction in issuance of these bonds.

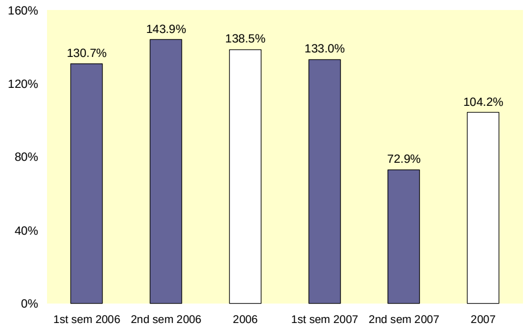
Redemptions totaled R$ 139.0 billion in the first half of 2007 and R$ 128.2 billion in the second half, resulting in 133.0% and 72.9% a rollover of, respectively, in the two periods.

Graph XI
Fixed rate Bond Issuance and Redemptions



Source: National Treasury

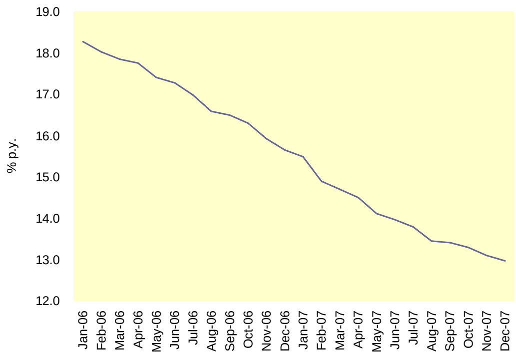
Graph XII
Rollover Percentage of Fixed rate Bonds



Source: National Treasury

Even in a scenario of external market volatility, it is important to stress that the average levels of premiums paid in auctions of these bonds measured by the premium in relation to DI (interbank deposit rate)[13] with the same maturity, did not increase in 2007 when compared to 2006, indicating that the market absorbed both the volume and maturities of the fixed rate bonds easily. Aside from this, the average cost of LTN dropped sharply in 2007, compared to 2006.

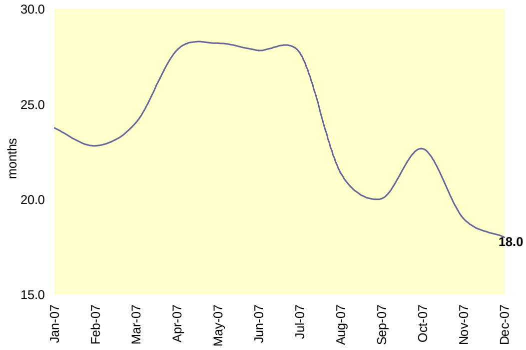
Graph XII
Average Monthly Cost of LTN Held by the Public



Source: National Treasury

The average issuance maturity of fixed rate bonds fluctuated in 2007, closing December at 18.0 months. In May 2007, this indicator reached 28.2 months, the highest ever registered since this indicator was first published. One factor that contributed to this result was the gradual lengthening of maturities of new bonds issued over the course of the year, particularly NTN-F maturing in January 2017. In the first half of 2007, average maturity at issuance was 25.6 months, dropping in the second half of 2007 to 21.5 months.

GraphXIV
Average Issuance Term of Fixed rate Bonds in Public Offer



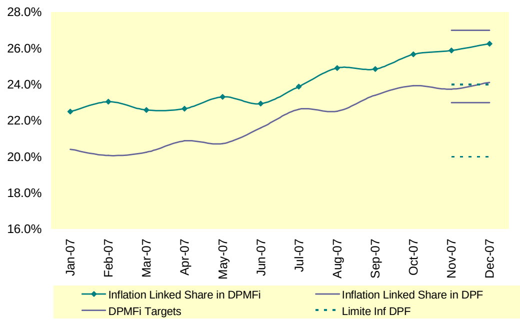
Source: National Treasury

Inflation-Linked Bonds

An additional positive aspect in the evolution of the public debt was the rise in the participation of inflation-linked bonds in 2007, moving from 19.9% to 24.1% of DPF and from 22.5% to 26.3% of DPMFi.

The increased participation of inflation-linked bonds in the overall debt stock, together with growth in average issuance maturities, contributed to the lengthening of DPF held by the public.

Graph XV
Participation of Inflation-Linked Bonds



Source: National Treasury

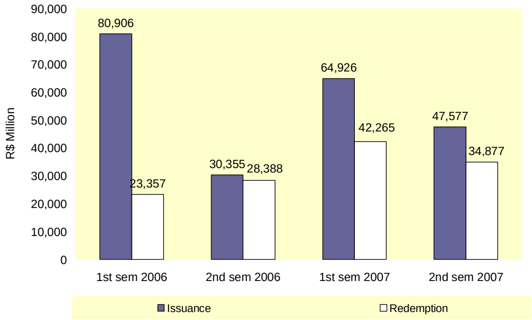
Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

In the first half of 2007, issuance of inflation-linked bonds totaled R$ 64.9 billion, with redemptions of just R$ 42.3 billion. In the second half of the year, both the amount issued and the amount redeemed dropped to

[13] The DI rate is the average rate of transactions in the interbank market.

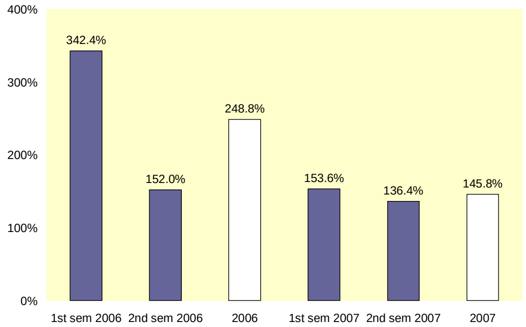
R$ 47.6 billion and R$ 34.9 billion, respectively. Consequently, in 2007, net issuance came to R$ 35.4 billion, with a rollover percentage of 145.8% in the period.

Graph XVI
Issuance and Redemptions of Inflation Linked Bonds



Source: National Treasury

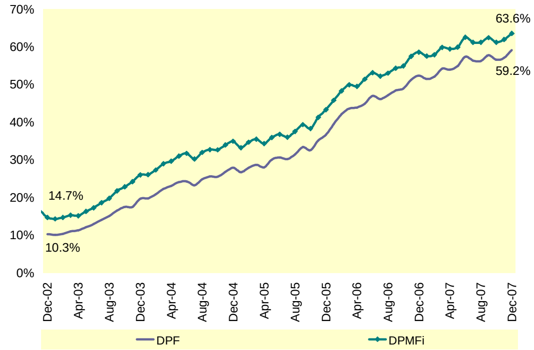
Graph XVII
Rollover Percentage of Inflation-Linked Bonds



Source: National Treasury

When viewed as a whole, fixed rate and inflation-linked bonds increased their participation in DPMFi and DPF from 58.6% to 63.6% and from 51.8% to 59.2% respectively. These were the highest levels registered since the series was first calculated in 1999 and are perfectly compatible with PAF guidelines.

Graph XVIII
Participation of Fixed rate Bonds and Inflation-Linked Bonds in DPF and DPMFi

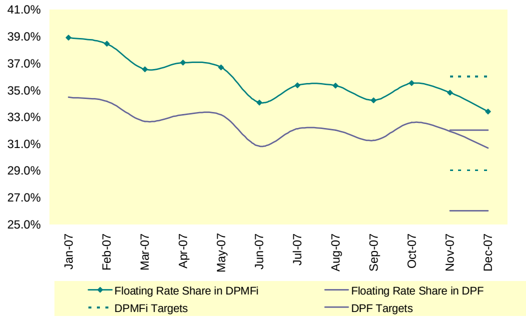


Source: National Treasury

Floating Rate Bonds

As foreseen in the PAF, the participation of floating rate bonds dropped from 33.4% of DPF in December 2006 to 30.7% at the end of 2007 (limits of 26% and 32%). The participation of these bonds in DPMFi diminished from 37.8% to 33.4% in the same period (limits of 29% and 36%).

Graph XIX
Participation of Floating Rate Bonds

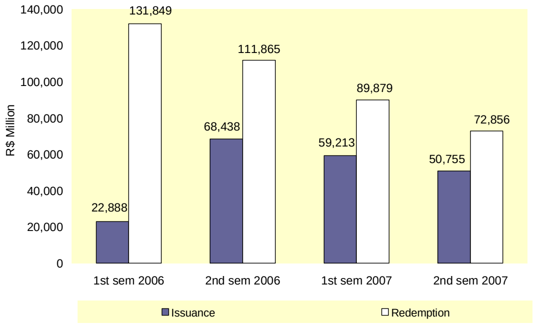


Source: National Treasury

Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

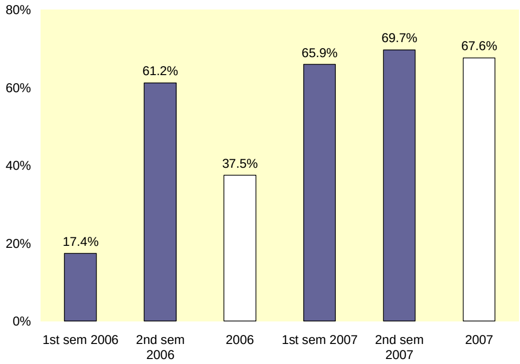
Over the course of 2007, issuance of floating rate bonds totaled R$ 59.2 billion in the first half of the year and R$ 50.8 billion in the second period. Redemptions were greater, reaching a total of R$ 89.9 billion in the first half, and R$ 72.9 billion in the second half of the year. Consequently, 2007 ended with net redemptions of approximately R$ 52.8 billion, resulting in a rollover percentage of 65.9% in the first half and 69.7% in the second half of 2007.

Graph XX
Issuance and Redemptions of Floating rate Bonds



Source: National Treasury.

Graph XXI
Rollover Percentage of Floating rate Bonds



Source: National Treasury.

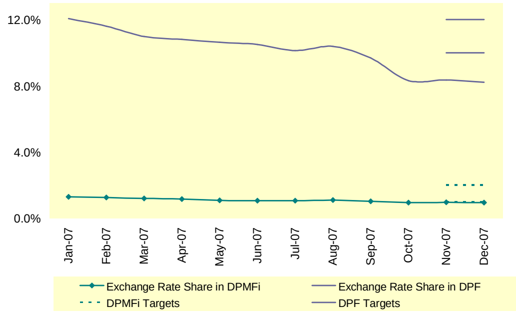
It is important to stress that new issuances of LFT aided in raising the average maturity of the public debt, since the average issuance term of these bonds climbed to 63.9 months at the end of 2007.

Exchange Rate Indexed Debt

Continuing the decline registered in recent years, the participation of the exchange rate debt dropped from 12.7% to 8.2% of DPF and from 1.3% to 0.9% of DPMFi. Higher than predicted exchange appreciation was the primary reason these indices closed below the lower limits defined in the 2007 PAF for DPF (10%) and DPMFi (1%).

Another factor that contributed to this result were net redemptions of R$ 28.0 million in DPF during the period under consideration, as a result of the fact that bond and external contractual debt maturities represented an amount greater than those of new issuances and contracting operations, as well as the results of the Early Redemption Program involving DPFe bonds. One should emphasize that the net redemptions had been foreseen in the strategy adopted in the 2007 PAF.

Graph XXII
Participation of Exchange Rate Indexed Bonds



Source: National Treasury
Obs.: The horizontal lines refer to the upper and lower limits of the PAF 2007.

With respect to DPFe, the National Treasury continued implementing measures adopted in 2006, with the objective of reducing external liabilities and consolidating the external interest rate term structure, through construction and maintenance of benchmark points, as well as development of an interest rate curve in local currency on the global market, as described in Section 2.

Table VII
Sovereign Issuances

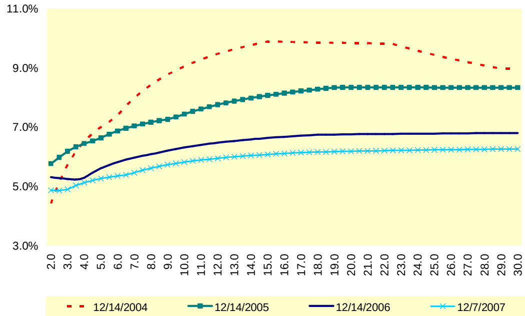
Security	Issuance Date	Settlement Date	US$ Million Total	Maturity	Yield	Spread [1]	EMBI BR at issuance
2005/2006/2007 Program							
Global 2025*	9/6/2005	9/13/2005	1,000	20 years	8.52%	417	399
Global BRL 2016	19/09/05	26/09/05	1,479	10 years	12.75%	-	364
Global 2015*	11/9/2005	11/17/2005	500	10 years	7.77%	312	347
Global 2034*	11/29/2005	12/6/2005	500	28 years	8.31%	363	349
Global 2037	1/10/2006	1/17/2006	1,000	30 years	7.57%	295	280
Euro 2015*	1/30/2006	2/3/2006	362	9 years	5.45%	185	262
Global 2037*	3/16/2006	3/23/2006	500	30 years	6.83%	204	225
Global BRL 2022	9/6/2006	9/13/2006	743	15 years	12.88%	-	218
Global BRL 2022*	10/5/2006	10/13/2006	301	15 years	12.47%	-	228
Global 2017	11/7/2006	14/11/06	1,500	10 years	6.25%	159	212
Global BRL 2022*	12/4/2006	12/11/2006	346	15 years	11.66%	-	224
Global 2037*	1/23/2007	1/30/2007	500	30 years	6.64%	173	185
Global BRL 2028	2/7/2007	2/14/2007	715	20 years	10.68%	-	186
Global BRL 2028*	3/20/2007	3/27/2007	361	20 years	10.28%	-	186
Global 2017*	4/3/2007	4/10/2007	525	10 years	5.89%	122	164
Global BRL 2028*	5/10/2007	5/17/2007	389	20 years	8.94%	-	154
Global BRL 2028*	6/19/2007	6/26/2007	393	20 years	8.63%		143
Total			**11,115**				

Source: National Treasury
[1] In basis points (local currency), at issuance date.
* Reopenings.

International market issuances in 2007 totaled US$ 2.9 billion. In this framework, particular mention should be made of issuance of a 20-year Brazilian external debt bond denominated in local currency, Global 2028, resulting in lengthening of the external fixed rate bond curve denominated in domestic currency.

In more recent external issuances, the rates of the reopening of the bonds were systematically below those obtained in previous placements, at the same time in which issue terms gradually increased over the years.

Graph XXIII
Zero Curve[14] - Global and Euro



Source: National Treasury

The 10 and 30-year benchmarks of the dollar curve continued registering liquidity increases in 2007. Operations with the Global 2037 in the first three quarters of 2007 totalled US$ 27.6 trillion, surpassing the US$ 25.2 trillion figure posted in the same period of the previous year. In the case of Global

[14] The interest curve or the forward interest rate structure for zero coupon bonds or, in other words, the interest curve for the securities structure without payment of coupons.

2017, issued for the first time in November 2006, operations totaled US$ 14.9 trillion in the same period.

3.3. Risk analysis

The debt management results achieved in 2007 were important to reducing DPF risks. More specifically, improvements in the debt profile produced a series of impacts: reductions in the vulnerability of the debt to market risks, to the extent in which it minimized the impacts of exchange and interest rate shocks and also aided in lengthening the public debt term. Finally, reductions in the concentration of debt maturities in shorter terms, coupled with improvements in the debt profile, made the maturity flow considerably more predictable and less susceptible to the volatility of the various indexing factors. With this, refinancing risk also declined.

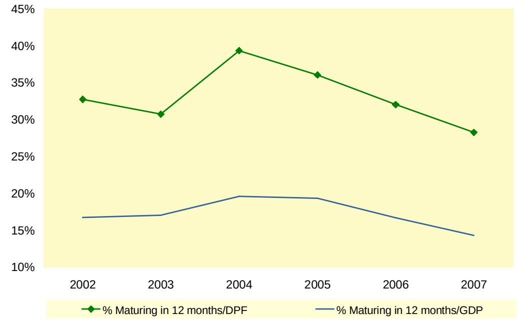
The risk analysis presented in this section is based on evaluation of DPF refinancing risks and market risks. Refinancing risk represents the possibility that the National Treasury will have to bear the burden of higher costs to obtain short-term financing or, in an extreme case, will fail to obtain the resources required to honor its debt maturities.

In its turn, market risk reflects the possibility of growth in the nominal stock of the debt caused by alterations in market conditions that impact the costs of public bonds. These alterations could include such things as changes in short-term interest, exchange and inflation rates, or modifications in the forward interest rate term structure.

Refinancing Risk

Refinancing risk can be assessed through the concentration of debt maturities. In Graph XXIV, one observes that, since 2004, the Treasury has been successful in reducing concentration of short-term maturities. It is also important to observe this same reduction in 12-month maturities in relation to GDP, since 2005.

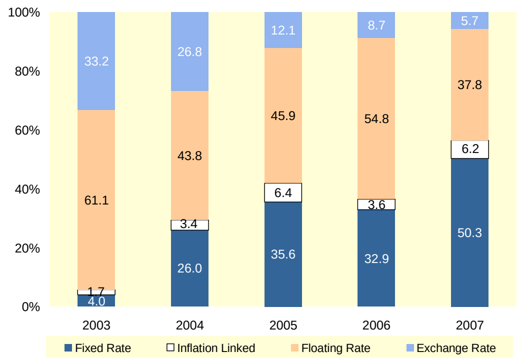
Graph XXIV
Percentage of DPF Maturing in 12 Months



Source: National Treasury

Aside from the reduction in the proportion of debt maturing in 12 months, the increased volume of fixed rate bonds and cutbacks in the volume of floating rate bonds and, principally, the volume of exchange rate indexed bonds, played an important role in reducing the volatility of debt flows maturing in 12 months. As shown in graph XXV, less than 10% of 12-month DPF maturities in 2003 involved fixed rate bonds, a level that rose to 50.3% in 2007.

Graph XXV
DPF Maturity Profile in Each Year (in 12 months)



Source: National Treasury.

Other factors that contributed to attenuating refinancing risk are continued comfortable balances in the liquidity cushion[15] in local

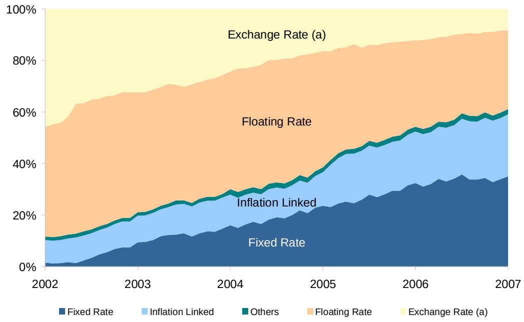
[15] Budget resources available exclusively for DPF

currency and foreign currency resources acquired exclusively for purposes of external debt payments maturing over the coming 12 months.

Market Risk

From a qualitative perspective, the reduction in market risk can be viewed in terms of the composition of the debt stock on the market. Graph XXVI shows a continuous and gradual shift in DPF composition in the sense of growing participation of fixed rate and inflation-linked bonds, coupled with lesser participation on the part of floating and exchange rate indexed bonds, since these are more susceptible to volatility.

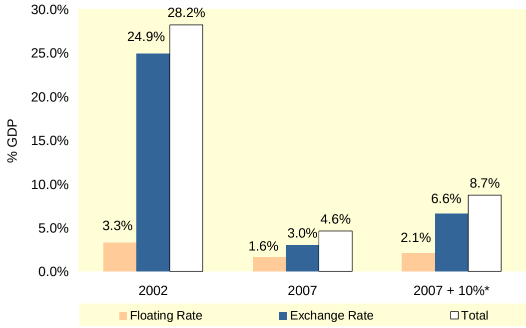
Graph XXVI
DPF Profile



Source: National Treasury
(a) It refers to domestic debt indexed to FX-rate and External Debt. It does not consider external debt bonds issued in local currency, which are included in the fixed rate share.

Based on stress tests, one can observe a significant drop in the impact of large-scale market turbulence on debt values. Given the DPF stock at the end of 2007, the impact of a stress scenario on interest and exchange rates would be equivalent to 28.2% of GDP, should the debt structure be equivalent to that of 2002, and just 4.6% of GDP when current debt composition is considered. However, evaluation of the risk of a 10 percentage point increase in the participation of each one of these indexing factors (Selic and exchange) would result in a significantly greater impact, reaching 8.7% of GDP at the end of the same period.

Graph XXVII
Stress Test on Interest and Exchange



* It considers, for both, the 2007 profile added of 10 percentage points.
Fonte: National Treasury

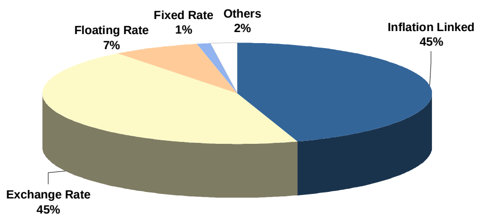
Asset and Liability Management - ALM

In 2007, the structure of Central Government financial assets and liabilities improved, aiding in reducing the government's vulnerability to unforeseen macroeconomic shocks.

Central Government assets generate earnings mainly tied to inflation and exchange rate indices. In the case of exchange-indexed assets, the most important items are international reserves, plus the active part of exchange rate swaps and, with regard to price indices, the most important items are renegotiations with the states and municipalities (Law 9,496/97, Law 8,727/93 and Provisional Measure 2,185/01).

payments. The strategy adopted since 1998 consists of permanently maintaining resources equivalent to at least three months of DPF maturities in the so-called "cushion".

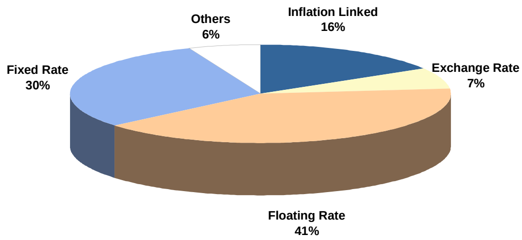
Graph XXVIII
Composition of Central Government Assets by Indexing Factor



Source: National Treasury

The most important liability accounts are bonds issued by the National Treasury (LFT, NTN-B, NTN-F and LTN), repo operations, the monetary base and the Other Deposits account at the Central Bank, which basically involves reserve requirements maintained by financial institutions.

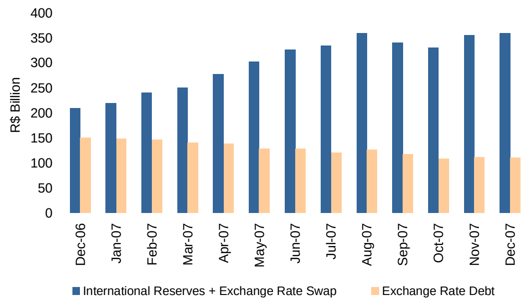
Graph XXIX
Composition of Central Government Liabilities by Indexing Factor



Source: National Treasury

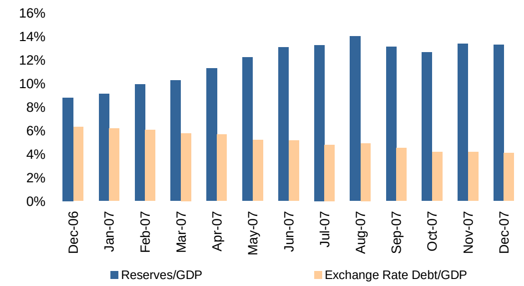
Analysis of the evolution of exchange rate indexed assets and liabilities leads to the conclusion that external vulnerability has diminished significantly. Reduction of this risk factor is a result of growth in international reserves and gradual reductions in the external debt, as demonstrated in detail in graph XXX. In December 2007, reserves plus exchange rate swap operations (active position in exchange rate), corresponded to 13.3% of GDP, while the exchange rate debt was equivalent to 4.1% of GDP. It should be stressed that one of the most important indicators of a country's degree of external vulnerability is its international reserve position compared to the level of its external debt.

Graph XXX
International Reserves + Exchange Swap Versus Exchange Debt



Source: National Treasury

Graph XXXI
Reserves/GDP Versus Exchange Debt/GDP



Source: National Treasury

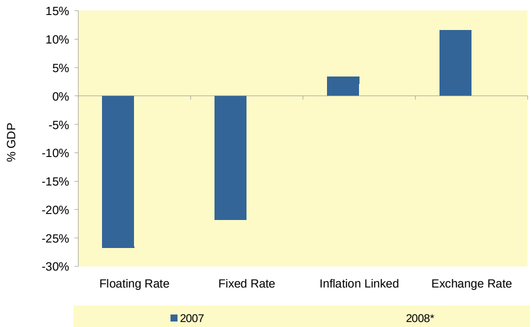
With respect to Central Government asset and liability mismatches, a liability mismatch was noted in the fixed rate component of the Treasury debt. This component increased in line with debt management guidelines aimed at increasing the participation of fixed rate bonds.

Two important items in the Central Government balance sheet that are related one to the other in terms of their behavior are the active mismatch in the exchange rate component and the liability mismatch in the floating rate interest component. Three factors aid in explaining the recent increase in the active mismatch in exchange: 1) reduction of the external debt referenced to foreign currency; 2) international reserves accumulated by the Central Bank; 3) exchange rate swap operations.

The increase in exchange rate indexed assets is mirrored in floating rate liabilities. In this sense, the liability exposure of the Central Government to interest rate in 2007 increased, despite reductions in the proportion of floating rate debt in total DPF. The liability mismatch in the interest rate component increased, primarily as a result of growth in the stock of repo operations, considered a side effect of international reserves accumulation. Aside from this, in exchange rate swap operations, the Central Government has increased its asset exposure in foreign currency, while raising liability exposure to floating interest rates.

Finally, with respect to the price index component, the asset mismatch declined. This movement was more significant due to net issuance of bonds with these characteristics in 2007, meaning that new issuances are more efficiently taking advantage of the Central Government asset and liability structure.

Graph XXXII
Mismatches between Central Government Assets and Liabilities as a Proportion of GDP



Note: Floating rate liabilities include Central Bank's swap operations.

Source: National Treasury

Additional Considerations

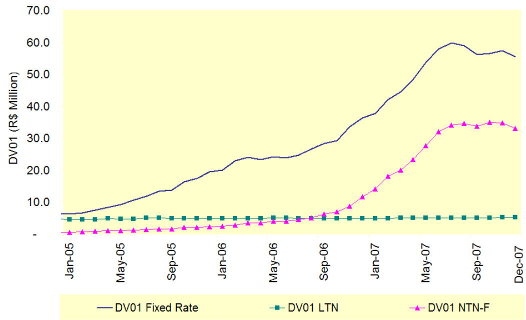
It is important to stress that macroeconomic stability, as well as improvements in debt composition, played an important role in improving public debt risk perceptions. In a virtuous cycle, the increased stability of the major DPF indexing factors made it possible to issue more fixed rate bonds, without substantially sacrificing cost or average debt term.

With the increase in fixed rate bonds, the National Treasury transfers part of the debt risk to the market. In quantitative terms, the DV01[16] and VaR[17] are measurements of this risk and are generated by interest rate volatility. These measurements are widely utilized by participants in the fixed income market. Therefore, their evolution has direct impacts on demand for these bonds.

Graph XXXIII shows the monthly evolution of DV01 for the LTN and NTN-F portfolio over the course of 2007. Recently, this indicator hit historically high levels, primarily as a result of two factors: a greater stock of fixed rate bonds and the longer average term of these bonds (NTN-F).

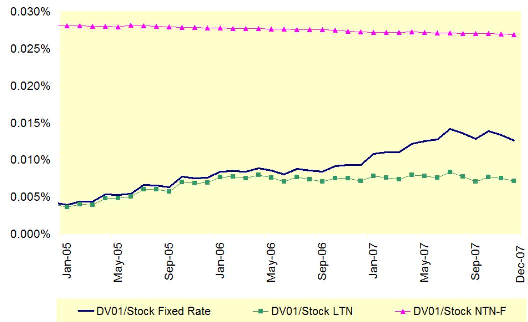
[16] DV01 - Dollar Value of a Basis Point - measures the loss that can occur in the value of a fixed rate security portfolio on the market as a result of a 1 basis point (0.01%) increase in the discount rate of those securities.
[17] VaR - Value at Risk is defined as the maximum expected loss for a security portfolio, over a defined temporal horizon, with a specified level of statistical significance. Applied to the fixed rate DPMFe securities portfolio, this indicator measures the probabilistic value of the market having to absorb a shock in the portfolio of these securities.

Gráfico XXXIII
DV01



Source: National Treasury

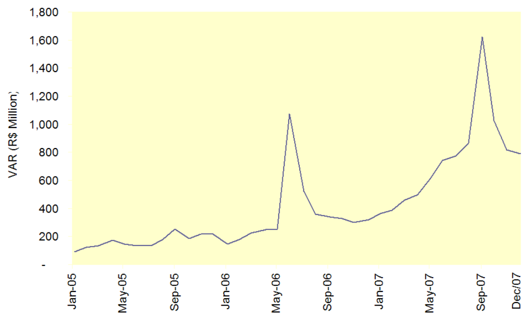
Graph XXXIV
DV01/Stock



Source: National Treasury

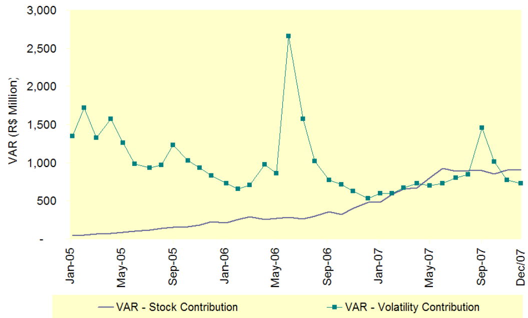
VaR complements DV01, introducing the dimensions of volatility into analyses of market exposure to the risk of fixed rate bonds. In this regard, calculation of VaR, presented in graph XXXV, is impacted by several different factors, such as: i) the stock of the bonds portfolio on the market; ii) the distribution of this stock in the analysis vertices; iii) the volatility of portfolio returns in the various vertices; and iv) correlations among portfolio returns in the various vertices. In graph XXXVI, the historical series of VaR was recalculated, isolating the contribution of its principal factors, the volatility of returns and the stock.

Graph XXXV
VaR



Source: National Treasury

Graph XXXVI
VaR: Stock Contribution and Volatility Contribution



Source: National Treasury

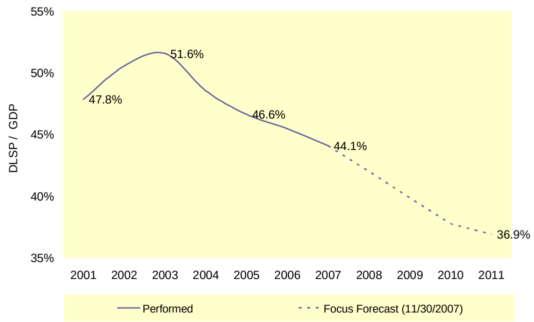
Note, therefore, that VaR has gradually increased to the extent that the stock of fixed rate bonds has also increased. This risk has been absorbed by investors thanks to the consolidation of economic stability and to development of the country's public bonds market.

Aside from the stock effect, in the second half of 2007, the financial market went through a period of turbulence, reflecting the increased volatility of fixed rate bonds.

Finally, from the point of view of fiscal policy sustainability, graph XXXVII shows that the Federal Government has managed to gradually reduce the Net Public Sector Debt (DLSP)/GDP ratio. Combined with gradual downward movement in the Selic rate, this fact leads one to believe that, in the coming years, there will be even more leeway for the

National Treasury to improve the public debt profile.

Graph XXXVII
Net Public Sector Debt as a Proportion of GDP



Source: National Treasury

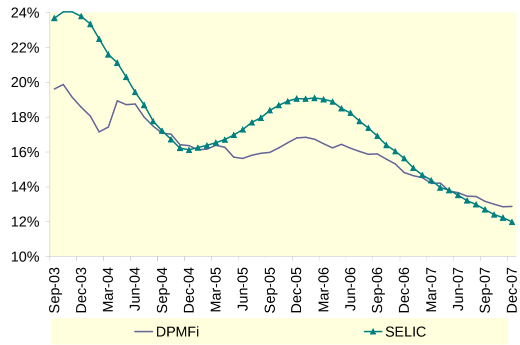
3.4. Cost Analysis

The previous section presented some of the major aspects regarding the risks that impact elaboration of the National Treasury borrowing strategy. However, risk is just one of the aspects that must be considered in choosing the best strategy. Another important aspect that must be observed is the impact of the strategy adopted on DPF financing costs. Over the short-term and whenever the scenario does not consider unexpected shocks, the choice of strategies that result in a larger volume of fixed rate bonds and lengthening of debt maturities tends to generate higher costs than in the case of strategies that maintain the debt concentrated in the short-term or in bonds more sensitive to changes in the conjuncture. For this reason, the Treasury must always be aware of the cost of the debt, in order to constantly verify whether this price is compatible with the protection obtained.

Since the average cost of the fixed rate debt already in the stock does not change over the short-term, it is natural that greater participation of fixed rate debt will result in greater inertia of the average cost of the debt when faced with interest shocks. This inertia will increase as the participation and average term of fixed rate bonds grows, since its costs will tend to approach the value of the basic interest rate as this share is refinanced.

Thus, the increased participation of fixed rate bonds means that, in periods of declining basic interest rates, the average cost of DPMFi will decline at a lesser pace than the Selic rate. On the other hand, in cycles of rising rates, the average cost of the DPMFi will expand at a lesser pace than Selic rate growth. Graph XXXVIII illustrates the dynamics of this process quite clearly.

Graph XXXVIII
Average Cost of DPMFi versus Selic Rate, 12-Month Accumulated

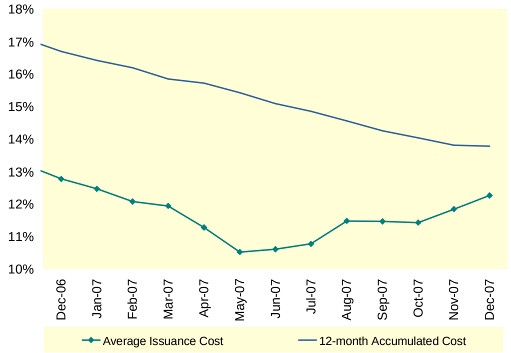


Source: National Treasury

With the steady downward slide in the Selic rate as of September 2005, the average issuance cost of National Treasury bonds has also declined. Thus, to the extent that the debt is refinanced, new bonds are issued at rates below the average cost of the debt maturing on the market and, consequently, the average cost of DPMFi has also dropped.

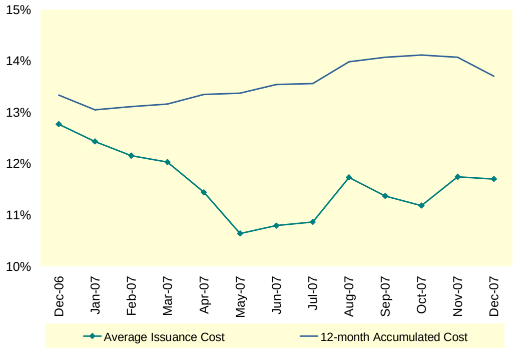
The following graphs show that, in the case of both the fixed rate share of the debt and the inflation-linked share, average issuance costs have followed a downward curve, falling below the average cost of the stock of these debt shares. Aside from this, the average issuance cost of National Treasury bonds was lower than the current Selic interest rate during all 2007. This demonstrates that issuance rates of fixed rate bonds incorporated expectations of future interest rate reductions, despite the existent risk premium.

Graph XXXIX
Average Issuance Cost versus Average Cost of Fixed Rate Stock



Source: National Treasury

Graph XL
Average Issuance Cost[18] versus Average Cost of Inflation-Linked Stock



Source: National Treasury

Another fact worthy of note is that the average cost of the inflation-linked share of DPMFi has not dropped as much as the fixed rate share. Basically, this is due to the fact that the inflation-linked debt has a rather high average issuance term of approximately 85 months. Contrary to fixed rate bonds, inflation-linked bonds remain in the stock during a longer period of time. Consequently, while a major share of fixed rate bonds matures over the short-term and is refinanced at new rates, this does not occur with inflation-linked bonds. For this reason, the average cost of these bonds has shown greater inertia, in the face of reductions in issue rates.

In summary, one can conclude that if, on the one hand, the Treasury takes greater advantage of economic stability and growing demand for fixed rate bonds to generate improvements in debt composition, on the other, it is more attentive to the costs involved in this process, constantly checking whether these costs correspond to a fair price to be paid for the protection obtained.

Box IV – Optimum Composition (benchmark) for DPF

The National Treasury has developed an analytical benchmark model that underpins the definition of the optimal long-term DPF structure. Subject to prudent risk levels, the model seeks to minimize costs, as a way of orienting short and medium-term financing strategy. This has become an important risk management and strategic planning tool.

In line with the objective above, DPF management seeks to follow guidelines aimed at introducing improvements into the secondary market, including broadening of the investor base and development of a interest rate term structure. With this in mind, the model allows for consideration of varied assumptions, such as, for example, development of fixed rate bond curves on domestic and external markets.

Considering DPF objectives and guidelines, as well as orientation rooted in the benchmark model, one can affirm that recently observed alterations in the DPF profile are consistent with gradual movement toward a new profile in coming years. From the perspective of the National Treasury, this new profile will mean lesser public debt financing rates, obtained with greater efficiency in terms of the trade-off between costs and risks or, in other words, without allowing the desired cost reduction to result in increased DPF exposure to risk and,

[18] These data consider issuance rates plus Bacen target center inflation, weighted by the amount issued.

whenever possible, through adoption of measures that minimize the impact of unexpected financial and macroeconomic shocks on DPF costs.

Section 4 - Institutional Advances

In 2007, the National Treasury implemented various measures aimed at institutional strengthening of public debt management. Among these, the highlights were activities at the investor level, such as the BEST events, roadshows, conference calls, the work performed by the Latin American and Caribbean Specialists Group in Public Debt Management (the LAC Debt Group), together with the Treasury Direct Program.

Under the responsibility of the National Treasury, the Monthly Federal Public Debt Report was published for the purpose of enhancing transparency. Parallel to this, the pricing manual of debt bonds and the nonresident investor guide were also published, both in English. A course was also provided on public debt management for public managers from the State of Rio Grande do Sul.

Steps were also taken to reduce operational risks, mainly in relation to the activities of trading desks, and to move forward with implementation of the Integrated Public Debt System - SID. Finally, mention should be made of improvement in risk ratings given by the four major rating agencies.

BEST Brazil

In 2007, the National Treasury further intensified its efforts to develop the Brazilian capital market and expand its investor base. One of the highlights was its activities in the BEST - Brazil: Excellence in Securities Transactions[19], a group that has the objective of disseminating information on the Brazilian capital market, providing international investors with precise and up-to-date information on the security, efficiency and reliability of that market. In the BEST framework, presentations were made on Brazilian public debt management in London, Edinburg and Frankfurt, in the month of March, in New York, Los Angeles, San Francisco and Toronto, in June, and in Singapore, Hong Kong and Tokyo, in November.

Roadshows

Over the course of the year, the National Treasury carried out a series of roadshows: i) together with the BEST events (United States, Europe and Asia), ii) at the time of the annual IDB (Inter-American Development Bank) meeting in Guatemala, in March, and iii) during the annual World Bank and IMF (International Monetary Fund) assembly in Washington in the month of October. On those occasions, individual contacts were made with more than a hundred financial institutions, with the objective of preserving Brazil's outstanding position on the sovereign debt market, while also encouraging greater participation on the part of nonresidents in acquisitions of domestic public bonds.

In New York, in the month of September, the Treasury participated in the Second Brazilian Capital Market Roundtable, organized by the IFR (International Financing Review) and, in October, in the Latin American Issuers' Conference[20], also organized by the IFR. The meetings with investors had the objective of maintaining active contacts between Brazil, as a sovereign issuer, and international investors, providing them with updated information, opening new markets and winning over new clients.

Conference Calls with Investors

With the support of important international financial institutions, the National Treasury held a series of conference calls with investors in 2007. These conference calls

[19] For more information on BEST, consult http://www.bestbrazil.org.

[20] Latin American Issuers' Conference 2007.

had the objective of enhancing transparency by providing clarifications to investors, mainly nonresidents, on questions concerning fiscal policy and public debt management. In these organized meetings, investors from various segments participated, including representatives of pension funds, hedge funds and international banks, with an average of approximately 100 participants in each event.

Activities of the LAC Debt Group

In the context of the Latin American and Caribbean Specialists Group in Public Debt Management (LAC Debt Group), the National Treasury participated in the third annual meeting in April in San Jose, Costa Rica. On that occasion, its representatives conducted presentations on Brazilian experience in long-term debt management strategies and the importance of investor relations. A thematic meeting was held in Caracas, Venezuela, in October, during which Brazil dealt with the interplay between contingent liabilities and debt management.

Aside from these contributions, Brazil was also charged with coordinating study on development of the secondary market in the region, a theme chosen by the LAC Debt Group as highly pertinent to development of the public bonds market. During the April meeting, the major conclusions of the study were presented, together with proposals regarding successful experiences in the various countries of the region, both in terms of organization and public bond negotiation systems. The purpose in presenting these experiences was to attempt to replicate them in different member countries. A final working document was presented in October in an attempt to standardize knowledge on this subject in the region.

Monthly Federal Public Debt Report

Starting in January 2007, the National Treasury began publishing the Monthly Federal Public Debt Report, a document designed to consolidate all information and data on the Federal Public Debt - DPF, encompassing both the domestic and external debt on the market for which the National Treasury is responsible. This report contains data on issuances, redemptions, stock evolution, average terms, maturity profiles, average costs and debt variation factors. Aside from this, the document also has information on the Treasury Direct Program and allows for monitoring the Annual Borrowing Plan - PAF.

The Report substituted the Press Release - Domestic Federal Public Debt and Open Market, published jointly by the National Treasury and Central Bank of Brazil. This Report was generated by recent changes introduced into Federal Public Debt management, aimed at creating a clear separation between fiscal and monetary policies that are responsibility of the National Treasury and of the Central Bank, respectively. These alterations were concluded when the National Treasury assumed responsibility for the total External Debt management as of January 2005.

The Reports are published monthly in Portuguese and English[21] and announced in press conferences at the Ministry of Finance headquarters in Brasília.

Debt Management Transparency for Foreign Investors

Increased foreign investor participation is one of the National Treasury's major objectives, in light of ithe preference of those investors for long-term bonds, principally involving

[21] To consult these publications, access: http://www.tesouro.fazenda.gov.br/english/hp/public_debt_report.asp

fixed rate or inflation-linked bonds. At the same time, this effort is clearly in line with the guidelines set down in the Annual Borrowing Plan - PAF, particularly as regards increased participation of these bonds and lengthening of average public debt maturities.

Considering the dimension of the Brazilian financial market, estimated at R$ 6.2 trillion (equivalent to US$ 3.3 trillion), one can conclude that the participation of foreign investors (approximately 6% or R$ 370 billion) is still quite small when compared to other countries. With regard to the fixed income segment, participation is even smaller (just over 3%)[22]. In the domestic debt framework, even with the tax modifications introduced in 2006 with the effect of considerably raising nonresident investor participation, the share held by these investors still stands at less than 5% of the total debt.

In light of this situation, the National Treasury has made effort to encourage nonresident participation in the domestic financial market, adopting practices that enhance information transparency. With this in mind, the bonds debt pricing manual and nonresident investors guide were published in 2007 in English and targeted to investors who desire to invest their resources in Brazil[23].

Public Debt Management Course

Even when recent achievements are taken into account, there is no denying that discussions on government spending, the dimension of the primary surplus, interest rate levels and other topics are reflected in public debt management. In this context, the continuity of the program aimed at offering clarifications on these themes to the general public and, particularly, to civil servants plays a role of crucial importance, not only seeking to define minimum parameters for analysis of public finance, but also in order to update the discussion, since these have changed significantly in recent years, and to provide the sources that will serve as the foundations of future studies.

In this sense, in response to a request put forward by the Foundation for the Development of Human Resources of the Government of the State of Rio Grande do Sul, the National Treasury sponsored a course entitled "Federal Public Debt Management", with the main objective of providing an overview of aspects related to debt management, while updating the information available to the public regarding debt management in Brazil. More specifically, the objective was to provide knowledge on the structure, strategy, management and major debt instruments utilized in the country. The course lasted 20 hours and had the participation of 25 state government employees, mainly from Secretariats of Finance and Secretariats of Planning.

Reducing Operational Risk

In the framework of risk management and information security, the National Treasury makes a constant effort to mitigate operatinoal risks related to losses provoked by inadequate systems and/or controls, fails of management and human error, primarily as regards information security.

With regard to the risks involved in trading desk activities in 2007, one should highlight the availability of: i) alternate notebook Internet access for utilization should the conventional network crash, together with; ii) an alternate system for access to SISBACEN, in order to guarantee publication

[22] Brazil for Foreign Investors / National Association of Financial Market Institutions - Rio de Janeiro – ANDIMA, 2007.

[23] The pricing manual can be found at: http://www.tesouro.fazenda.gov.br/english/public_debt/downloads/pricing_methodology.pdf and the nonresident investors guide at: http://www.tesouro.fazenda.gov.br/english/public_debt/downloads/Manual_investidor_estrangeiro.pdf

of Directives specifying the conditions to be followed in Federal Public Debt - DPF bond auctions.

Parallel to this, a tender process was begun in the month of December to acquire a new digital recording system of telephone calls made by the trading desk. This equipment will replace the former analog equipment that is more susceptible to failings, and includes new contingency line extensions.

In the same direction, the General Co-ordinating Staff for Public Debt Control (CODIV), the sector responsible for public debt back-office activities, defined and implemented the Contingency Plan, as a mechanism for reducing operational risks and ensuring the continuity of its activities, particularly registration and control processes, statistical information and, primarily, the process of federal public debt service payments.

In order to reduce personnel risks, 18 new analysts were contracted during the course of 2007 for the three general coordinating staffs[24] that form the Assistant Secretariat of the National Treasury, which is charged with DPF management, at the same time in which the process of financial certification of analysts by Andima/Anbid (National Association of Financial Market Institutions/National Association of Investment Banks) was also initiated.

[24] For greater detail, access: http://www.tesouro.fazenda.gov.br/english/public_debt/index.asp

Integrated Public Debt System (SID)

In 2007, the National Treasury continued its efforts to develop the Integrated Public Debt System (SID). This project should be viewed in terms of the strategic objective of modernizing public debt management, since it will include within its scope the complete cycle of major federal public debt management activities, with functionalities capable of simplifying data prospecting, information generation and report issuing.

Among other things, the system will make possible: i) the integration among the activities of the three general coordinating staffs encompassed by the Debt Management Office; ii) the elimination of calculation redundancies; iii) the integration among the largest possible quantity of data and functionalities and among the major existent systems, rewriting them into new platforms and technologies; iv) the broadening of managerial information extraction capacity; and v) significant minimization of operational risks.

System implementation is divided into two stages: stage I, including the modules referring to the System Operating Core and stage II, which encompasses Specific Processes related to public debt management activities, such as risk management, auctions, budget programming and financial programming, planning and strategy definition. Taken as a whole, the System will have 10 modules and 35 submodules.

The following submodules were developed and concluded in the current year: calendar, indexing factors and scenarios, which will go into production in the first half of 2008, together with the submodules dealing with the bonds and contractual debts. Another seven submodules will be added to the list and are already in the production stage.

Conclusion of stage I of the system is scheduled for the first quarter of 2009.

Centralization of External Debt Contracts

As foreseen in Decree no. 5,994, dated December 19, 2006, transfer of the administration of external debt contracts was finalized. This was the responsibility of various federal government direct administration entities and was transferred to the framework of the National Treasury Secretariat - STN.

The purpose of this measure is to improve control of these liabilities and thereby make it possible to streamline federal public debt management, by centralizing external financial commitment procedures at the STN. These were already direct Federal Government responsibilities. As a result, on April 30, 2007, 64 already disbursed contracts in a total amount of US$ 3.4 billion were transferred. The process will be repeated every year, in such a way as to include contracts in which disbursement flows are concluded by the end of each financial year.

Risk Classification

Since 2004, the National Treasury has coordinated contacts with rating agencies, making it possible to more effectively monitor advances in this area. The year under analysis was marked by upgradings in the ratings granted by four of the major rating agencies.

In May, Standard & Poor's upgraded the sovereign credit rating of the domestic debt[25] from BB+ to BBB, reaching the level of investment grade, a notch higher than the speculative grade level. In the same month, Fitch raised its rating of long-term local and foreign currency debts from BB to BB+. One month later, in June, Brazil received its first investment grade rating from the Japan Credit Rating (JCR) for the long-term external and domestic debts, with BBB- and BBB. In August, Moody's increased Brazil's sovereign rating from Ba2 to Ba1, a classification still considered "speculative grade", but just one notch below investment grade.

In general, the agencies indicated excellent external results as the major positive factors. Currently, the external debt is only a fraction of what it was five years ago, while current account revenues have expanded rapidly. Exports have also increased significantly, due mainly to a highly diversified basis among products and destinations. Parallel to this, international reserves have risen to US$ 180 billion, an important insurance policy against external shocks. All of these factors have played important roles in improving overall external sector performance indicators as assessed by the agencies.

At the same time, one must highlight the improved domestic debt profile and positive fiscal sector results, both of which have had strong impacts on the downward movement of the DLSP/GDP ratio, while contributing importantly to improvement in rating classifications.

Table VIII
Risk Classifications - Major Rating Agencies

Agency	2004	2005	2006	2007
FITCH	BB-	BB-	BB	BB+
Moody's	B1	Ba3	Ba2	Ba1
S&P	BB-	BB-	BB	BB+
S&P (domestic currency)	BB+	BB+	BB+	BBB

*Long-term foreign currency rating
For Moody's and Fitch the long-term foreign currency rating and the long-term domestic currency rating are the same.
Source: Bloomberg

25 In December 2007, these liabilities accounted for approximately 92% of the total debt.

Treasury Direct

The Treasury Direct Program will soon complete six years of operation, providing individual investors with the opportunity to obtain public bonds over the Internet. In 2007, this program set a new record of 100,000 registered investors. This achievement represents consolidation of the program which, after a rather modest beginning and with very little in advertising expenditures, has expanded steadily both in terms of the number of investors and the volume of sales. An important component in this process has been the importance that the media has given to the program and the work developed by the National Treasury team.

In this sense, information on the Treasury Direct Program was significantly increased in 2007, as a result of participation in investment fairs, bringing together more than 48,000 people in the cities of Curitiba, Macaé, Fortaleza, Brasília, São Paulo, Belo Horizonte, Rio de Janeiro and Porto Alegre, during which lectures were presented and individualized clarifications provided to investors. Over the course of the year, the National Treasury team gave lectures at the invitation of universities and other institutions, including the University of Brasilia - UnB, the Catholic University of Brasilia - UCB, the Catholic University of Rio Grande do Sul - PUC/RS, the University Center of the Federal District - UniDF and the Supreme Labor Court - TST, with overall participation of approximately 450 people. Presentations such as these and investor access over the Internet provide interested parties with permanently open channels of communication, through which the Treasury Direct Program has sought to achieve its objectives of making access to federal bond investments more democratic, while stimulating formation of long-term savings by retail investors.

Appendices

I - DPF STOCK HELD BY THE PUBLIC AND THE CENTRAL BANK

II - PROFILE OF DPMFI HELD BY THE PUBLIC

III - FEDERAL BONDS HELD BY THE PUBLIC TO MATURE IN 12 MONTHS, BY TYPE OF EARNINGS - DPMFI

IV - AVERAGE TERM OF THE DPF HELD BY THE PUBLIC

V - AVERAGE COST OF DPF HELD BY THE PUBLIC, CUMULATIVE TOTAL IN THE LAST 12 MONTHS

I - DPF STOCK HELD BY THE PUBLIC AND THE CENTRAL BANK

R$ Billion

	Jan/07	Feb/07	Mar/07	Apr/07	May/07	Jun/07	Jul/07	Aug/07	Sep/07	Oct/07	Nov/07	Dec/07
DPF	**1,228.42**	**1,260.39**	**1,278.27**	**1,285.94**	**1,299.29**	**1,325.34**	**1,289.39**	**1,312.27**	**1,315.92**	**1,307.14**	**1,329.95**	**1,333.75**
DPMFi	**1,087.90**	**1,120.05**	**1,142.65**	**1,151.47**	**1,173.91**	**1,198.90**	**1,171.12**	**1,189.09**	**1,200.83**	**1,199.03**	**1,219.73**	**1,224.87**
LFT	421.53	428.73	415.75	424.63	428.86	406.97	412.63	418.47	409.58	424.71	424.51	409.02
LTN	314.75	328.84	348.32	327.41	334.68	349.89	309.81	314.41	320.36	295.26	312.49	325.15
NTN-B	172.29	174.53	180.27	192.46	193.04	209.64	216.17	218.79	230.51	235.64	238.02	242.27
NTN-C	64.96	65.00	65.11	62.55	62.80	63.26	62.13	63.15	63.92	63.96	64.61	66.22
NTN-D	1.24	1.25	1.22	1.22	1.17	1.19	1.10	1.16	1.10	1.06	1.09	1.10
NTN-F	60.85	67.49	77.47	89.13	99.92	114.16	115.52	118.81	122.06	126.58	127.95	131.82
Securitized Debt[1]	19.03	20.93	21.45	21.25	21.26	21.50	21.69	21.74	21.28	21.04	20.12	20.78
TDA	4.21	4.21	4.34	4.45	4.43	4.47	4.51	4.47	4.50	4.55	4.49	4.86
Other	29.04	29.05	28.71	28.36	27.75	27.82	27.56	28.08	27.52	26.23	26.44	23.65
DPFe [2]	**140.53**	**140.34**	**135.62**	**134.47**	**125.38**	**126.44**	**118.28**	**123.19**	**115.08**	**108.11**	**110.23**	**108.88**
Securities	**110.31**	**110.00**	**106.76**	**106.19**	**98.81**	**100.08**	**92.39**	**96.07**	**89.73**	**84.16**	**85.61**	**84.57**
Global US$	86.32	85.84	82.07	82.37	74.95	75.29	68.76	71.69	65.70	62.16	62.98	61.81
Global BRL	6.46	8.03	8.87	8.96	9.85	10.73	10.27	10.37	10.47	10.56	10.66	10.76
Euro	15.33	13.91	13.69	13.83	13.03	13.07	12.97	13.61	13.22	11.11	11.63	11.66
Bradies [3]	0.47	0.47	0.41	0.41	0.39	0.39	0.39	0.41	0.34	0.33	0.34	0.34
Other	1.72	1.75	1.71	0.62	0.58	0.59	-	-	-	-	-	-
Contractual	**30.22**	**30.34**	**28.87**	**28.28**	**26.57**	**26.36**	**25.89**	**27.12**	**25.35**	**23.96**	**24.61**	**24.32**
Multilateral Organisms	24.42	24.54	23.58	23.43	22.00	21.89	21.50	22.49	20.95	19.98	20.49	20.28
Private Banks/Gov. Agencies	5.80	5.80	5.29	4.86	4.57	4.47	4.39	4.63	4.41	3.98	4.13	4.03
DPMFi IN CENTRAL BANK PORTFOLIO	**299.89**	**310.94**	**307.01**	**299.77**	**313.09**	**312.74**	**310.60**	**315.89**	**318.42**	**353.36**	**355.35**	**360.63**
LTN	143.71	149.68	154.05	138.37	143.24	146.09	138.52	142.28	143.81	150.63	152.22	158.37
LFT	82.94	83.68	69.30	76.13	80.04	74.53	75.26	76.01	76.55	77.27	77.92	78.92
NTN-D	13.66	13.55	13.25	13.27	9.40	9.29	5.84	5.97	5.66	5.43	5.61	2.74
Other	59.58	64.03	70.40	72.00	80.42	82.83	90.98	91.64	92.40	120.03	119.60	120.60

1 Includes agricultural debt;
2 All DPFe values converted to USD and then, converted to BRL at the spot FX-rate as of the month's last day;
3 Refers to the pre-Brady bond (BIB), which does not have an embedded call option and, roughly, rerpesents 0.3% of total outstanding DPFe;
Obs: From Oct-06, outstanding DPFe incorporate nominal interest.

II - PROFILE OF DPMFI HELD BY THE PUBLIC

Month	Fixed Rate		Floating Rate (SELIC)		Inflation Linked		FX-Exchange		TR		Other		Total	
	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)
December-99	39.75	9.00%	251.68	57.02%	24.63	5.58%	100.71	22.82%	23.97	5.43%	0.67	0.15%	441.41	100.00%
December-00	75.40	14.76%	266.81	52.24%	30.32	5.94%	113.74	22.27%	24.07	4.71%	0.36	0.07%	510.70	100.00%
December-01	48.79	7.82%	329.46	52.79%	43.63	6.99%	178.58	28.61%	23.52	3.77%	0.10	0.02%	624.08	100.00%
December-02	13.66	2.19%	379.07	60.83%	78.17	12.54%	139.47	22.38%	12.78	2.05%	0.05	0.01%	623.19	100.00%
December-03	91.53	12.51%	449.03	61.39%	99.07	13.55%	78.67	10.76%	13.09	1.79%	0.03	0.00%	731.43	100.00%
January-04	92.71	12.57%	451.82	61.28%	99.89	13.55%	79.64	10.80%	13.26	1.80%	0.02	0.00%	737.34	100.00%
February-04	100.97	13.59%	450.89	60.67%	102.27	13.76%	75.65	10.18%	13.35	1.80%	0.03	0.00%	743.15	100.00%
March-04	117.06	15.41%	455.73	59.98%	103.38	13.61%	70.17	9.23%	13.47	1.77%	0.03	0.00%	759.84	100.00%
April-04	121.25	15.79%	458.09	59.67%	106.74	13.90%	68.05	8.86%	13.51	1.76%	0.03	0.00%	767.67	100.00%
May-04	122.52	16.37%	433.20	57.89%	109.63	14.65%	69.36	9.27%	13.64	1.82%	0.03	0.00%	748.38	100.00%
June-04	127.55	16.82%	436.13	57.52%	113.29	14.94%	67.37	8.89%	13.82	1.82%	0.03	0.00%	758.19	100.00%
July-04	114.90	15.13%	452.25	59.57%	114.75	15.12%	63.14	8.32%	14.14	1.86%	0.02	0.00%	759.20	100.00%
August-04	126.87	16.66%	445.55	58.49%	117.04	15.36%	57.84	7.59%	14.44	1.90%	0.02	0.00%	761.77	100.00%
September-04	134.68	17.46%	449.55	58.28%	118.14	15.32%	54.27	7.04%	14.64	1.90%	0.02	0.00%	771.30	100.00%
October-04	135.16	17.41%	458.25	59.01%	118.75	15.29%	49.48	6.37%	14.84	1.91%	0.02	0.00%	776.50	100.00%
November-04	146.84	18.71%	458.12	58.36%	119.80	15.26%	45.54	5.80%	14.61	1.86%	0.02	0.00%	784.94	100.00%
December-04	162.76	20.09%	462.99	57.14%	120.71	14.90%	41.74	5.15%	22.04	2.72%	0.02	0.00%	810.26	100.00%
January-05	154.67	18.71%	491.54	59.46%	120.38	14.56%	37.83	4.58%	22.27	2.69%	0.01	0.00%	826.70	100.00%
February-05	172.75	20.43%	493.39	58.36%	120.90	14.30%	35.98	4.26%	22.36	2.64%	0.01	0.00%	845.39	100.00%
March-05	188.02	21.52%	503.99	57.69%	122.23	13.99%	36.94	4.23%	22.43	2.57%	0.01	0.00%	873.61	100.00%
April-05	176.96	20.25%	517.01	59.17%	123.22	14.10%	34.53	3.95%	22.10	2.53%	0.01	0.00%	873.83	100.00%
May-05	195.82	22.05%	513.57	57.84%	123.63	13.92%	32.62	3.67%	22.28	2.51%	0.01	0.00%	887.93	100.00%
June-05	207.82	22.95%	517.28	57.13%	125.72	13.88%	32.16	3.55%	22.52	2.49%	0.01	0.00%	905.51	100.00%
July-05	204.84	22.37%	530.01	57.88%	125.41	13.70%	32.82	3.58%	22.59	2.47%	0.00	0.00%	915.67	100.00%
August-05	219.79	23.87%	519.36	56.40%	126.23	13.71%	32.72	3.55%	22.69	2.46%	0.00	0.00%	920.79	100.00%
September-05	240.39	25.76%	511.90	54.85%	127.24	13.63%	30.76	3.30%	22.92	2.46%	0.00	0.00%	933.22	100.00%
October-05	229.44	24.48%	528.75	56.41%	129.83	13.85%	28.64	3.06%	20.67	2.21%	0.00	0.00%	937.34	100.00%
November-05	257.88	26.88%	517.24	53.91%	138.70	14.46%	24.76	2.58%	20.92	2.18%	0.01	0.00%	959.50	100.00%
December-05	272.90	27.86%	507.16	51.77%	152.19	15.53%	26.41	2.70%	21.01	2.14%	0.01	0.00%	979.66	100.00%

II - PROFILE OF DPMFI HELD BY THE PUBLIC (continuation)

Month	Fixed Rate		Floating Rate (SELIC)		Inflation Linked		FX-Exchange		TR		Other		Total	
	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)
January-06	263.01	26.70%	487.35	49.48%	188.59	19.15%	25.14	2.55%	20.85	2.12%	0.00	0.00%	984.93	100.00%
February-06	281.66	27.88%	476.77	47.20%	206.71	20.46%	24.14	2.39%	20.92	2.07%	0.00	0.00%	1,010.20	100.00%
March-06	293.56	28.75%	466.09	45.64%	216.83	21.23%	23.75	2.33%	20.99	2.06%	0.00	0.00%	1,021.22	100.00%
April-06	276.89	27.61%	462.45	46.12%	220.04	21.94%	22.39	2.23%	21.02	2.10%	0.00	0.00%	1,002.78	100.00%
May-06	295.21	29.55%	440.30	44.07%	218.74	21.89%	24.60	2.46%	20.24	2.03%	0.00	0.00%	999.10	100.00%
June-06	319.59	31.45%	432.06	42.52%	220.81	21.73%	23.28	2.29%	20.36	2.00%	0.00	0.00%	1,016.10	100.00%
July-06	307.79	30.36%	437.83	43.18%	222.17	21.91%	23.56	2.32%	22.58	2.23%	0.00	0.00%	1,013.93	100.00%
August-06	327.23	31.49%	441.55	42.50%	224.06	21.56%	23.24	2.24%	22.94	2.21%	0.00	0.00%	1,039.01	100.00%
September-06	348.62	32.83%	440.27	41.46%	228.40	21.51%	21.10	1.99%	23.47	2.21%	0.00	0.00%	1,061.86	100.00%
October-06	349.17	32.85%	437.98	41.20%	235.24	22.13%	16.88	1.59%	23.77	2.24%	0.00	0.00%	1,063.03	100.00%
November-06	380.32	35.16%	420.98	38.92%	242.26	22.40%	14.31	1.32%	23.79	2.20%	0.00	0.00%	1,081.66	100.00%
December-06	395.04	36.13%	413.66	37.83%	246.43	22.54%	14.17	1.30%	24.19	2.21%	0.00	0.00%	1,093.50	100.00%
January-07	375.60	34.53%	423.18	38.90%	250.72	23.05%	14.16	1.30%	24.24	2.23%	0.00	0.00%	1,087.90	100.00%
February-07	396.33	35.39%	430.40	38.43%	253.02	22.59%	14.15	1.26%	26.15	2.33%	0.00	0.00%	1,120.05	100.00%
March-07	425.80	37.26%	417.42	36.53%	258.90	22.66%	13.73	1.20%	26.80	2.35%	0.00	0.00%	1,142.65	100.00%
April-07	416.54	36.17%	426.32	37.02%	268.52	23.32%	13.37	1.16%	26.71	2.32%	0.00	0.00%	1,151.47	100.00%
May-07	434.60	37.02%	430.57	36.68%	269.32	22.94%	12.71	1.08%	26.71	2.28%	0.00	0.00%	1,173.91	100.00%
June-07	464.06	38.71%	408.35	34.06%	286.31	23.88%	12.75	1.06%	27.44	2.29%	0.00	0.00%	1,198.90	100.00%
July-07	425.33	36.32%	414.02	35.35%	291.73	24.91%	12.37	1.06%	27.66	2.36%	0.00	0.00%	1,171.12	100.00%
August-07	433.22	36.43%	419.88	35.31%	295.47	24.85%	12.98	1.09%	27.55	2.32%	0.00	0.00%	1,189.09	100.00%
September-07	442.42	36.84%	411.00	34.23%	308.10	25.66%	12.21	1.02%	27.11	2.26%	0.00	0.00%	1,200.83	100.00%
October-07	421.84	35.18%	425.69	35.50%	312.77	26.09%	11.34	0.95%	27.38	2.28%	0.00	0.00%	1,199.03	100.00%
November-07	440.44	36.11%	424.51	34.80%	315.71	25.88%	11.67	0.96%	27.40	2.25%	0.00	0.00%	1,219.73	100.00%
December-07	456.97	37.31%	409.02	33.39%	321.65	26.26%	11.61	0.95%	25.62	2.09%	0.00	0.00%	1,224.87	100.00%

III - FEDERAL BONDS HELD BY THE PUBLIC TO MATURE IN 12 MONTHS, BY TYPE OF EARNINGS - DPMFI

Month	Fixed Rate		Floating Rate (SELIC)		Inflation Linked		FX-Exchange		TR		Other		Total	
	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)
December-99	39.75	100.00%	146.48	58.20%	2.03	8.26%	53.31	52.94%	0.91	3.79%	0.02	3.34%	242.51	54.94%
December-00	72.95	96.75%	95.53	35.81%	3.65	12.03%	51.22	45.03%	1.31	5.46%	0.24	66.47%	224.90	44.04%
December-01	47.19	96.73%	35.39	10.74%	7.33	16.81%	82.20	46.03%	0.97	4.14%	0.02	23.62%	173.12	27.74%
December-02	13.22	96.77%	185.83	49.02%	6.79	8.68%	49.16	35.25%	0.91	7.11%	-	0.00%	255.92	41.07%
December-03	78.69	85.97%	130.73	29.12%	10.66	10.76%	37.75	47.98%	0.67	5.12%	0.02	49.75%	258.52	35.34%
January-04	85.36	92.08%	125.05	27.68%	10.73	10.74%	41.18	51.70%	0.73	5.49%	0.02	60.32%	263.06	35.68%
February-04	92.02	91.14%	140.86	31.24%	11.06	10.82%	39.09	51.67%	0.78	5.85%	0.01	58.15%	283.82	38.19%
March-04	90.91	77.66%	163.89	35.96%	10.15	9.81%	33.71	48.04%	0.84	6.26%	0.02	60.31%	299.51	39.42%
April-04	105.70	87.18%	166.17	36.28%	10.36	9.71%	31.73	46.62%	0.84	6.23%	0.02	60.31%	314.82	41.01%
May-04	107.21	87.51%	163.42	37.72%	10.58	9.65%	30.93	44.60%	0.87	6.39%	0.02	60.31%	313.04	41.83%
June-04	111.53	87.44%	168.40	38.61%	10.83	9.56%	28.98	43.01%	0.76	5.53%	0.02	57.67%	320.53	42.28%
July-04	107.29	93.38%	168.78	37.32%	15.58	13.58%	25.59	40.54%	0.79	5.56%	0.01	57.67%	318.05	41.89%
August-04	118.69	93.55%	181.33	40.70%	16.59	14.17%	21.17	36.60%	0.90	6.20%	0.01	74.44%	338.68	44.46%
September-04	125.53	93.20%	198.27	44.10%	16.82	14.24%	18.59	34.25%	0.91	6.19%	0.01	74.44%	360.12	46.69%
October-04	122.67	90.76%	199.11	43.45%	16.70	14.06%	16.70	33.75%	1.19	8.01%	0.01	74.44%	356.38	45.90%
November-04	132.92	90.52%	188.32	41.11%	16.86	14.07%	17.86	39.22%	1.23	8.43%	0.01	74.44%	357.21	45.51%
December-04	146.98	90.30%	183.86	39.71%	26.24	21.74%	14.68	35.17%	1.56	7.07%	0.01	59.69%	373.33	46.08%
January-05	148.44	95.97%	176.12	35.83%	26.16	21.73%	10.90	28.82%	1.65	7.39%	0.01	79.64%	363.29	43.94%
February-05	156.64	90.67%	171.31	34.72%	26.33	21.78%	9.37	26.05%	1.65	7.37%	0.01	79.64%	365.30	43.21%
March-05	158.67	84.39%	178.16	35.35%	26.43	21.62%	10.48	28.38%	1.65	7.35%	0.01	79.64%	375.40	42.97%
April-05	150.81	85.23%	185.43	35.87%	26.71	21.68%	9.85	28.54%	1.58	7.14%	0.01	79.64%	374.40	42.85%
May-05	151.52	77.38%	199.67	38.88%	26.84	21.71%	9.22	28.26%	1.66	7.47%	0.01	79.64%	388.92	43.80%
June-05	152.66	73.46%	221.14	42.75%	25.24	20.08%	9.10	28.29%	1.68	7.46%	0.01	79.64%	409.83	45.26%
July-05	144.18	70.39%	229.27	43.26%	19.80	15.79%	9.31	28.38%	1.69	7.50%	0.00	100.00%	404.26	44.15%
August-05	145.00	65.97%	214.19	41.24%	23.04	18.26%	9.29	28.39%	1.71	7.52%	0.00	100.00%	393.23	42.71%
September-05	145.97	60.72%	200.97	39.26%	23.03	18.10%	10.95	35.58%	1.91	8.35%	0.00	100.00%	382.83	41.02%
October-05	143.91	62.72%	210.62	39.83%	23.10	17.79%	12.37	43.18%	1.09	5.27%	0.00	100.00%	391.09	41.72%
November-05	147.70	57.27%	225.44	43.59%	23.19	16.72%	11.34	45.79%	0.98	4.66%	0.01	100.00%	408.64	42.59%
December-05	149.90	54.93%	227.47	44.85%	17.38	11.42%	12.13	45.94%	1.03	4.90%	0.01	100.00%	407.91	41.64%

III - FEDERAL BONDS HELD BY THE PUBLIC TO MATURE IN 12 MONTHS, BY TYPE OF EARNINGS - DPMFI (continuation)

Month	Fixed Rate		Floating Rate (SELIC)		Inflation Linked		FX-Exchange		TR		Other		Total	
	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)	(R$ bn)	(%)
January-06	165.93	63.09%	201.62	41.37%	19.33	10.25%	11.61	46.20%	1.08	5.19%	0.00	100.00%	399.58	40.57%
February-06	166.74	59.20%	189.23	39.69%	20.13	9.74%	11.07	45.84%	1.09	5.21%	0.00	100.00%	388.26	38.43%
March-06	170.07	57.93%	207.14	44.44%	20.81	9.60%	10.44	43.96%	1.03	4.93%	0.00	100.00%	409.50	40.10%
April-06	170.20	61.47%	201.89	43.66%	20.93	9.51%	9.88	44.11%	1.08	5.15%	0.00	100.00%	403.98	40.29%
May-06	176.97	59.95%	179.80	40.84%	31.84	14.55%	10.79	43.87%	1.12	5.55%	0.00	100.00%	400.53	40.09%
June-06	188.45	58.97%	186.20	43.10%	32.07	14.52%	10.24	44.00%	0.99	4.88%	0.00	100.00%	417.97	41.13%
July-06	198.99	64.65%	174.83	39.93%	32.22	14.50%	10.40	44.16%	1.26	5.58%	-	0.00%	417.70	41.20%
August-06	203.69	62.25%	162.82	36.88%	29.09	12.98%	10.29	44.28%	1.29	5.63%	-	0.00%	407.18	39.19%
September-06	207.05	59.39%	180.06	40.90%	28.32	12.40%	7.95	37.66%	1.21	5.16%	-	0.00%	424.59	39.99%
October-06	201.41	57.68%	166.35	37.98%	28.79	12.24%	4.18	24.75%	1.34	5.63%	-	0.00%	402.07	37.82%
November-06	209.87	55.18%	137.10	32.57%	28.09	11.60%	1.43	9.97%	1.35	5.69%	-	0.00%	377.84	34.93%
December-06	208.97	52.90%	150.14	36.30%	25.62	10.40%	1.41	9.98%	3.90	16.13%	-	0.00%	390.05	35.67%
January-07	219.97	58.57%	149.58	35.35%	25.97	10.36%	1.44	10.15%	4.05	16.72%	-	0.00%	401.02	36.86%
February-07	221.08	55.78%	145.35	33.77%	26.20	10.35%	1.44	10.15%	4.16	15.91%	-	0.00%	398.22	35.55%
March-07	221.67	52.06%	146.37	35.07%	26.70	10.31%	1.39	10.15%	4.10	15.30%	-	0.00%	400.24	35.03%
April-07	228.56	54.87%	144.08	33.80%	38.74	14.43%	1.35	10.11%	3.80	14.21%	-	0.00%	416.53	36.17%
May-07	223.47	51.42%	137.57	31.95%	30.19	11.21%	1.30	10.25%	4.23	15.83%	-	0.00%	396.76	33.80%
June-07	227.29	48.98%	129.42	31.69%	31.12	10.87%	1.30	10.21%	4.20	15.30%	-	0.00%	393.33	32.81%
July-07	229.58	53.98%	127.63	30.83%	31.27	10.72%	2.23	18.02%	4.21	15.22%	-	0.00%	394.92	33.72%
August-07	230.17	53.13%	125.92	29.99%	42.58	14.41%	2.35	18.08%	4.37	15.85%	-	0.00%	405.38	34.09%
September-07	228.27	51.60%	120.41	29.30%	42.80	13.89%	2.22	18.19%	4.34	16.00%	-	0.00%	398.04	33.15%
October-07	197.06	46.71%	119.35	28.04%	43.31	13.85%	2.10	18.50%	4.28	15.63%	-	0.00%	366.10	30.53%
November-07	201.19	45.68%	112.40	26.48%	43.28	13.71%	2.17	18.59%	4.46	16.27%	-	0.00%	363.49	29.80%
December-07	204.44	44.74%	118.10	28.87%	43.06	13.39%	2.16	18.64%	1.58	6.17%	-	0.00%	369.35	30.15%

Obs. 1: Based on portfolio evaluated on the bonds´ price at yield curve, considering coupom payments in each date.
Obs. 2: % relative to the same type of security´s maturity

IV - AVERAGE TERM OF THE DPF HELD BY THE PUBLIC

Months

	Jan/07	Feb/07	Mar/07	Apr/07	May/07	Jun/07	Jul/07	Aug/07	Sep/07	Oct/07	Nov/07	Dec/07
DPF	**36.31**	**36.10**	**36.07**	**36.79**	**36.94**	**37.90**	**38.88**	**38.61**	**39.05**	**39.59**	**39.16**	**39.18**
DPMFi [1]	**31.88**	**31.64**	**31.88**	**32.69**	**33.28**	**34.43**	**35.59**	**35.26**	**36.05**	**36.74**	**36.33**	**36.47**
LFT	21.89	21.75	22.92	22.54	22.36	24.19	23.57	23.21	25.39	25.58	25.29	26.19
LTN	10.38	10.03	9.69	10.55	10.12	9.75	10.59	9.78	9.18	10.18	9.85	9.17
NTN - B	57.01	57.89	58.02	58.51	64.76	66.18	66.48	67.40	67.71	67.53	68.37	68.46
NTN - C	82.27	81.66	81.14	83.20	82.39	81.61	82.92	82.03	81.70	82.06	81.38	80.37
NTN - D	16.71	15.77	14.77	13.74	12.71	11.74	11.35	10.32	9.39	8.29	7.29	6.25
NTN - F	38.72	38.46	38.44	38.13	37.76	37.72	39.12	38.36	37.68	36.95	36.16	35.39
TDA	59.61	58.80	58.65	57.76	56.66	55.93	55.69	55.04	55.62	55.68	55.53	56.29
Securitized Debt	86.86	87.14	86.58	85.69	84.96	86.48	85.75	85.03	84.28	85.48	88.48	87.86
Other	94.37	93.70	93.11	93.54	92.48	91.88	90.92	90.62	89.54	87.11	87.29	97.14
DPFe	**70.64**	**71.73**	**71.41**	**71.93**	**71.26**	**70.79**	**71.47**	**70.97**	**70.42**	**71.19**	**70.47**	**69.68**
Securities	**74.31**	**75.58**	**74.96**	**75.51**	**74.77**	**74.21**	**75.53**	**75.14**	**74.48**	**75.58**	**74.80**	**73.84**
Globals	81.83	81.85	81.18	81.14	80.23	79.35	80.90	80.81	80.36	80.26	79.77	78.92
EUR	40.52	44.52	43.48	42.94	41.90	41.24	39.65	38.62	38.28	43.03	42.05	41.02
BRL	75.73	80.61	81.90	80.89	82.51	83.81	86.57	85.56	84.54	83.53	82.51	81.50
Bradies [2]	35.69	34.76	37.46	36.46	35.43	34.43	33.40	32.36	35.29	34.26	33.25	32.22
Other	3.59	2.64	1.61	3.00	1.97	0.97	0.00	0.00	0.00	0.00	0.00	0.00
Contractual [3]	**57.22**	**57.79**	**58.27**	**58.51**	**58.20**	**57.82**	**56.96**	**56.17**	**56.07**	**55.76**	**55.41**	**55.23**
Multilateral Organisms	N/A	62.97	62.97	62.47	62.23	61.68	60.82	60.03	60.01	59.26	58.97	58.61
Private Banks/Gov. Agencies	N/A	35.92	37.30	39.40	38.76	38.92	38.11	37.38	37.36	38.21	37.77	38.21
Paris Club	-	-	-	-	-	-	-	-	-	-	-	-

1 Include National Treasury Bonds and Central Bank held by the public
2 BIB's are still outstanding, as they are considered pre-Brady Bond, with no embedded call option and it rerpesents roughly 0.3% of total DPFe stock;
3 The National Treasury is revising the External Contractual Debt accounting methodology, in line with what´s recently done with the DPMFi average maturity and the External Debt in bonds.
Obs. 1: From Oct-06, DPFe average maturity has incorporated nominal interest on accrual basis.
Obs. 2: The National Treasury revised the External Debt (in bonds) average maturity in bonds, aiming at harmonizing the methos used both on domestic and external debts.
By the new methodology, each security's average maturity is calculated discounting its future flows by the yield at issuance, but not by the coupon.

V - AVERAGE COST OF DPF HELD BY THE PUBLIC, CUMULATIVE TOTAL IN THE LAST 12 MONTHS

% p.y.

	Jan/07	Feb/07	Mar/07	Apr/07	May/07	Jun/07	Jul/07	Aug/07	Sep/07	Oct/07	Nov/07	Dec/07
DPF	**14.02**	**14.34**	**13.58**	**13.84**	**12.30**	**12.53**	**12.34**	**12.71**	**12.07**	**11.80**	**11.68**	**11.77**
DPMFi	**14.63**	**14.53**	**14.19**	**14.22**	**13.76**	**13.66**	**13.47**	**13.45**	**13.16**	**13.00**	**12.85**	**12.88**
LFT	14.99	14.68	14.25	14.10	13.81	13.48	13.26	12.95	12.66	12.47	12.26	12.09
LTN	16.58	16.35	16.00	15.90	15.61	15.28	15.07	14.78	14.48	14.29	14.06	13.85
NTN - B	12.90	12.89	12.75	12.85	13.01	13.44	13.43	13.78	13.60	13.48	13.45	13.63
NTN - C	13.42	13.69	14.28	14.88	14.48	13.87	14.01	14.68	15.76	16.46	16.37	18.03
NTN - D	7.24	10.94	5.52	8.94	(6.18)	(0.46)	(3.45)	2.65	(5.40)	(8.93)	(7.88)	(7.29)
NTN - F	15.66	15.46	15.17	15.10	14.85	14.54	14.31	13.99	13.67	13.46	13.22	13.04
TDA	6.50	6.49	6.45	6.53	6.51	6.39	6.38	6.27	6.14	6.08	6.01	5.92
Securitized Debt	8.12	8.09	8.06	8.10	8.04	7.87	7.79	7.67	7.54	7.44	7.35	7.27
Other	7.41	8.81	7.01	8.30	2.34	4.46	3.36	5.97	3.28	2.05	2.52	3.31
DPFe	**7.96**	**12.37**	**6.96**	**9.72**	**(5.12)**	**0.52**	**(2.02)**	**3.59**	**(2.52)**	**(5.39)**	**(4.93)**	**(4.19)**
Securities	**7.96**	**12.37**	**6.96**	**9.72**	**(5.12)**	**0.52**	**(2.02)**	**3.59**	**(2.52)**	**(5.39)**	**(4.93)**	**(4.19)**
Globals	6.14	9.86	4.37	7.71	(7.27)	(1.65)	(4.65)	1.35	(6.62)	(10.15)	(9.13)	(8.56)
EUR	11.95	21.34	13.60	15.07	(3.82)	2.82	0.97	6.57	3.80	0.54	(0.52)	0.92
BRL	12.97	13.15	12.82	12.87	12.79	12.64	12.58	12.47	12.32	12.27	12.17	12.08
BIB[1]	1.48	5.00	(0.05)	3.15	(11.16)	(5.73)	(8.59)	(2.81)	(10.40)	(13.77)	(12.77)	(12.22)
Other	3.95	10.10	5.34	6.50	(10.30)	(1.87)	-	-	-	-	-	-
Contractual [2]	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Multilateral Organisms	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private Banks/Gov. Agencies	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paris Club	-	-	-	-	-	-	-	-	-	-	-	-

1 BIB's are still outstanding, as they are considered pre-Brady Bond, with no embedded call option and it rerpesents roughly 0.3% of total DPFe stock;
2 The National Treasury is revising the External Contractual Debt accounting methodology, in line with what´s recently done with the DPMFi average maturity and the External Debt in bonds.