**BRAZIL**

**COUNTRY OVERVIEW**

### BASIC DATA

**Capital City:** Brasilia

- **Land Area:** 8,547,400 sq km, of which around 44% is suitable for agriculture
- **Population:** 192.8m (2011)
- **Main Towns:**
  - Population at last census (2006 official estimate, m)
    - Sao Paulo: 10.9
    - Rio de Janeiro: 6.1
    - Salvador: 2.9
    - Brasilia: 2.5
    - Fortaleza: 2.4
    - Belo Horizonte: 2.4

**Climate:** Mainly tropical and sub-tropical; mild on the southern coast and in the higher regions

**Language:** Portuguese (official)

**Measures:** Metric System

**Currency:** Real (R); average exchange rates in 2011: R1.67:US$1

**Time:**
- The states along the coast, and eastern Pará, Brasília-DF, Minas Gerais, Goiás and Tocantins, are three hours behind GMT (official time in Brazil); the states of Mato Grosso do Sul, Mato Grosso, Rondônia, most of Amazonas, Roraima and western Pará are four hours behind GMT; the states of Acre and the southwestern part of Amazonas are five hours behind GMT

### Government:

- **President:** Dilma Rousseff
- **Vice-President:** Michel Temer
- **Agrarian Development:** Alfonso Florence
- **Agriculture:** Mendes Ribeiro
- **Civil Chief-of-Staff:** Gleisi Hoffman
- **Cities:** Mario Negromonte
- **Communications:** Paulo Bernardo Silva
- **Culture:** Ana de Hollanda
- **Defense:** Celso Amorim
- **Development, Industry & Trade:** Fernando Pimentel
- **Education:** Aloizio Mercadante
- **Environment:** Izabella Vieira Teixeira
- **Finance:** Guido Mantega
- **Fishing and Aquaculture:** Marcelo Crivella
- **Foreign Affairs:** Antonio Patriota
- **Health:** Alexandre Padilha
- **Justice:** José Eduardo Cardozo
- **Labor & Employment:** Paulo Roberto dos Santos Pinto
- **Mines & Energy:** Edson Lobão
- **National Integration:** Fernando Bezerra Coelho
- **Planning, Budget & Management:** Miriam Belchior
- **Science, Technology & Innovation:** Marco Antonio Raupp
- **Social Development:** Tereza Campelo
- **Social Security:** Tereza Campelo
- **Sports:** Garibaldi Alves
- **Tourism:** Aldo Rebelo
- **Transport:** Gastão Vieira
- **Central Bank President:** Paulo Sergio Passos
- **Alexandre Tombini**

*Source: The Economist Intelligence Unit as of February 2012*
B. POLITICAL STRUCTURE

Official Name
Federative Republic of Brazil

Form of State
Federative republic

The Executive
The president, who is elected for a term of four years, chooses a cabinet, which he heads

Head of State
Elected president, who controls the budget

National Legislature
Bicameral national Congress: 81-seat Senate (the upper house) with representatives of 26 states, plus the federal district of Brasília; 513-member directly elected Chamber of Deputies (the lower house). The 26 states and the district of Brasília each has a legislature.

Legal System
Each state has its own judicial system; the country has a system of courts for dealing with disputes between states and matters outside the jurisdiction of state courts.

National Elections
Municipal elections every four years, with the next due in October 2012; presidential, congressional and state elections every four years, and were last held on October 3rd 2010. A presidential run-off election was held on October 31st 2010, concurrently with run-off elections for some state governorships. Next presidential, congressional and state elections, October 2014.

National Government
Dilma Rousseff of the Partido dos Trabalhadores (PT) won the October 31st presidential run-off election, giving the PT a third successive term, and took office on January 1st 2011.

Main Political Organizations
Partido dos Trabalhadores (PT); Partido do Movimento Democrático Brasileiro (PMDB); Partido da Social Democracia Brasileira (PSDB); Partido Social Democrático (PSD); Democratas (DEM); Partido Progressista (PP); Partido Socialista Brasileiro (PSB); Partido Democrático Trabalhista (PDT); Partido da República (PR); Partido Comunista do Brasil (PC do B); Partido Socialismo e Liberdade (PSOL); Partido Verde (PV); Partido Trabalhista.
C. POLITICAL OUTLOOK 2012 – 2016

The president, Dilma Rousseff of the leftist Partido dos Trabalhadores (PT), bolstered her position in her first year in office and enjoys a high popularity rating of 71% in the latest polls, despite the loss of seven cabinet ministers, six of whom fell afoul of corruption allegations. Her tough stance in these corruption cases and her efforts to “clean up” the ministries involved have played well with the electorate and she has not been personally implicated in any cases. But the resignations and resulting ministerial changes have caused tensions within the parties in her coalition, the centre-right Partido da República (PR) left the coalition in protest at the removal of its president, Alfredo Nascimento, from the Ministry of Transport. She has adopted a cautious stance with the PT’s main ally, the Partido do Movimento Democrático Brasileiro (PMDB), which is dissatisfied with the division of power and jobs in government. At the same time, the support of the newly formed centrist party, the Partido Social Democrático (PSD), which has already established itself as the third-largest party in the Chamber of Deputies (the lower house), is likely to strengthen the government’s position, offering it more room to maneuver. The PSD is likely to enter the government in the cabinet reshuffle Ms. Rousseff is due to announce soon. The president’s choice of a technocrat to head the ministry of science, technology and innovation, Marco Antonio Raupp, has angered the PT, which held that ministry previously, but is indicative of her determination to improve government efficiency.

These developments come as the outlook for the global economy darkens and growth decelerates in Brazil, calling for a steady hand and firm leadership. The appointment in June 2011 of a political novice, Gleisi Hoffman, as presidential chief-of-staff, and of Ideli Salvatti as minister of institutional relations, is forcing the president to take a more active role in domestic politics. This strategy is not without risk as it leaves Ms. Rousseff increasingly exposed to the potential for instability within the government’s broad-based coalition, particularly if her popularity falls, and with difficulties in steering the legislative agenda. It is therefore highly unlikely that she will be willing to use her political capital to push through ambitious structural reforms (including a much needed flexibilization of the labor market) for which there is little appetite in Congress. Her legislative agenda in 2012 is heavy and includes regulations associated with the holding of the World Cup and a partial public pensions reform, as well as completing the forestry law and the legislation governing the distribution of Brazil’s huge “pre-salt” oil discoveries. Although the October 2012 municipal elections will begin to overshadow politics, the president will prioritize government business over supporting the campaigns of allies.

After keeping a low foreign profile in her first year, Ms. Rousseff’s hosting of the Rio+20 summit will thrust her into the international spotlight. The president will continue to seek a growing international role for Brazil, which is poised to become the world’s sixth-largest economy. This will include pursuing the longstanding aspiration to gain a permanent seat on an expanded UN Security Council, building on Lula’s attempts to strengthen the influence of emerging markets in global economic policymaking institutions. Ms. Rousseff has also
adopted a broadly stronger stance in favor of human rights, with condemnation of abuses in Iran and Cuba, even if she proved reluctant to drop support for the regime of Colonel Muammar Qadhafi in Libya (where Brazilian companies have commercial interests) until the last moment. More generally, the president will adopt a pragmatic stance in Brazil's dealings with Western nations (this has improved bilateral relations with the US), and will refrain from adopting controversial policies such as Lula's ill-judged efforts to broker a deal over Iran's nuclear enrichment programme. Brazil's growing dependence on China as a market for its commodity exports will reduce the risk of radical protectionism against the former, although some measures against surging imports from China have recently been taken. In Latin America, the president will prioritize trade and investment interests. Following Cristina Fernández de Kirchner's re-election in Argentina, the Rousseff government is likely to become more determined in seeking to resolve a series of bilateral trade spats.

D. ECONOMIC PERFORMANCE

Economic activity picked up in November, after a three-month contraction, as a recovery in consumer spending and a slight recovery in manufacturing industry helped Brazil shrug off the global slowdown. The BCB's IBC-Br economic activity index, a proxy for GDP, rose 1.15% in November from October, when the indicator had registered a decline of 0.5% (revised from the 0.32% contraction originally reported). December will probably confirm the tepid recovery, with the IBC-Br rising 0.8% because of the likely gains in industrial production and retail sales. This would be consistent with our estimate of a 0.4% expansion in fourth-quarter 2011 GDP, quarter on quarter, ensuring Brazil avoids, if only by a small margin, a technical recession. Third-quarter GDP was slightly negative, owing to the policy tightening earlier in the year, manufacturing woes and the impact on business confidence of the euro zone debt crisis that erupted over the summer (January 2012, Economic performance).

A record low unemployment rate of 5.2% (the lowest for November under the current index, which began in 2002), combined with 18% annual growth in bank lending, has bolstered consumer confidence. Retail sales in November rose at their fastest pace in 15 months, climbing 1.3% from October. The broader retail index, which includes the sale of cars and construction materials, increased by 3.2% month on month. The increase in consumer spending in November was led by an 8.6% monthly jump in sales of books, magazines and stationary, and a 6% gain in sales of office and communication equipment, as consumer confidence rose to a four-month high. Fuel sales climbed 1.6%, compared with 0.7% in October. These readings reaffirm the view that October was probably the low point in Brazil's economic cycle, although the recovery is expected to be tepid at first before gathering momentum in the second half of 2012 as monetary and fiscal stimulus kicks in. Provided, that is, that the euro zone avoids a full-blown debt crisis and break-up.
This year Brazil’s industry should pick up, buoyed by tax breaks, protectionism and policy stimulus that will fuel aggregate demand. But it will still face headwinds owing to weaker external demand, and possibly to a stronger than expected appreciation of the Real, should risk aversion ease. According to the Instituto Brasileiro de Geografia e Estatística (IBGE, the national statistics agency), industrial production in November had its biggest year-on-year drop since October 2009. Output contracted by 2.5%, on an annual basis. In the month, production gained 0.3%, a reassuring reading after three consecutive negative results. Broken down by sector, production was more encouraging in most components, except for durable goods, which dropped 0.9% on the month-on-month seasonally adjusted basis. However, the gain in non-durables more than offset that decline and led to a pick-up in consumption goods production of 2.3%. Capital goods and intermediary goods increased 1.6% month on month and 0.4%, respectively. Eighteen out of 27 sectors were in positive territory in the month, led by machinery, auto and apparel production.

Industry has been stagnant practically since the start of 2011, and economic growth has been increasingly sustained by the service sector rather than by industry. In fact, between 2004 and 2010, industrial output lagged retail sales every year except 2009 as the Real more than doubled against the dollar, sucking in cheap imports from China and elsewhere. Production of durable goods fell by 11.5% in November from a year earlier, while output of capital goods, a barometer of investment, fell 2.9%. Although capacity utilization increased in December, production continues to be held back by unusually high inventories since mid-year. A survey by the Fundação Getulio Vargas reported a five-year high in the percentage of Brazilian firms with excess inventories.
E. ECONOMIC FORECAST

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US GDP</td>
<td>1.7</td>
<td>1.8</td>
<td>1.8</td>
<td>2.2</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>OECD GDP</td>
<td>1.8</td>
<td>0.9</td>
<td>1.7</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>World GDP</td>
<td>2.6</td>
<td>2.0</td>
<td>2.7</td>
<td>2.9</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>World trade</td>
<td>6.6</td>
<td>4.8</td>
<td>6.2</td>
<td>6.4</td>
<td>6.6</td>
<td>6.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inflation Indicators (% unless otherwise indicated)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>US CPI</td>
<td>3.2</td>
<td>2.1</td>
<td>2.3</td>
<td>2.1</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>OECD CPI</td>
<td>2.8</td>
<td>2.2</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Manufactures (measured in US$)</td>
<td>6.9</td>
<td>-1.0</td>
<td>0.9</td>
<td>1.3</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Oil (Brent; US$/b)</td>
<td>111.0</td>
<td>100.0</td>
<td>103.0</td>
<td>108.3</td>
<td>104.0</td>
<td>110.0</td>
</tr>
<tr>
<td>Non-oil commodities (measured in US$)</td>
<td>26.4</td>
<td>-12.9</td>
<td>-2.6</td>
<td>-0.4</td>
<td>1.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**Economic Growth**

An expansion in the BCB’s GDP proxy indicator in November (+1.15%) appears to confirm our view that a mild turnaround in the Brazilian economy is under way, after contracting slightly in the third quarter of 2011, owing to policy tightening in the first half of the year. Barring a break-up in the euro zone (a risk to which we attach a relatively high probability, and a shock that would have a longer-lasting impact on global output than the collapse of Lehman Brothers in September 2008), Brazil’s economy will pick up in 2012 from an estimated expansion of only 2.9% in 2011. The 14.3% rise in the minimum wage will boost consumption in early 2012, and momentum will build as the effects of the ongoing monetary easing cycle (coupled with a relaxation in credit restrictions) will be felt more strongly and as fiscal policy becomes more expansionary and lending by public banks is boosted. By late 2012 GDP will be growing by around 4.5% on an annualized basis, providing momentum into 2013. And GDP will accelerate to 5% in 2014, buoyed by fiscal spending ahead of the 2014 presidential election and World Cup. A post-electoral adjustment will dampen GDP growth slightly, to 4.4% in 2015-16 on average. Private consumption growth will decelerate from the unsustainable rate of 6.9% in 2010, as a tightening of monetary and credit conditions and a rise in inflation erode real disposable incomes. However, growth will remain firm in the forecast period, averaging 4.9% per year, supported by job creation, real wage gains and credit. Loan extension to households and businesses has doubled in GDP terms since 2003 to 47% currently, and there is still room for growth. Investment, financed partly through foreign savings, will grow at just under double the rate of overall GDP growth, attracted by market opportunities, infrastructure projects and huge investments to develop the pre-salt oil reserves and refineries. Growth
of imports will outpace export growth in the context of a strong currency, causing a negative contribution to growth. Export growth will be driven by demand for Brazil’s commodities, although significant exports of oil from pre-salt deposits will not materialize until the second half of the decade.

On the supply side, most sectors will expand at similar rates to overall GDP growth, although retail, financial services, trade and construction are set to outperform overall growth. In years when normal weather conditions prevail, agriculture will expand, supported by technological improvements, more intensive land use and credit extension, and by good fundamentals for soft commodity exports owing to rising demand in the developing world. Manufacturing output will be supported by growing opportunities in the domestic and regional markets, but many segments will suffer from competition from imports owing to a strong currency and weak overseas demand. Extractive industries will be supported by external demand, assuming that China avoids a hard landing. The services sector will be driven by private consumption growth.

### Economic Growth

<table>
<thead>
<tr>
<th></th>
<th>2011&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2015&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2016&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.9</td>
<td>3.3</td>
<td>4.5</td>
<td>5.0</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Private consumption</td>
<td>4.5</td>
<td>4.7</td>
<td>4.9</td>
<td>5.2</td>
<td>4.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Government consumption</td>
<td>2.5</td>
<td>3.0</td>
<td>4.0</td>
<td>4.5</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Gross fixed investment</td>
<td>5.2</td>
<td>6.0</td>
<td>8.0</td>
<td>9.0</td>
<td>7.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Exports of goods &amp; services</td>
<td>3.5</td>
<td>4.2</td>
<td>6.3</td>
<td>6.8</td>
<td>6.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Imports of goods &amp; services</td>
<td>11.6</td>
<td>15.4</td>
<td>13.8</td>
<td>11.9</td>
<td>9.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Domestic demand</td>
<td>3.4</td>
<td>5.0</td>
<td>5.8</td>
<td>6.0</td>
<td>4.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.0</td>
<td>4.0</td>
<td>4.3</td>
<td>4.3</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Industry</td>
<td>2.0</td>
<td>3.0</td>
<td>3.7</td>
<td>4.5</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Services</td>
<td>3.2</td>
<td>3.3</td>
<td>4.8</td>
<td>5.2</td>
<td>4.3</td>
<td>4.8</td>
</tr>
</tbody>
</table>

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

### Inflation

The inflation rate eased into the BCB’s target ceiling of 6.5% in December 2011 from a peak of 7.3% in September, as the surge in commodity prices that began at the end of 2010 fell out of the annual series. A new inflation price index will reduce the measurement by around 0.4 percentage points on a one-off basis, and inflation will continue to ease amid weaker producer price pressures this year. But because of high indexation (including minimum wage rises linked to nominal GDP), sticky services price inflation, the recent
reversal of monetary policy tightening, and more expansionary fiscal policies later in the forecast period, inflation will remain above the central target (of 4.5%) in 2012-16. Brazil's inflation is also fairly vulnerable to food supply shocks (food prices make up around one-quarter of the price basket) related to climatic conditions and fuel prices. There is also a risk that the Real will depreciate by more than expected, in the event of a sharp, unexpected fall in Chinese growth, which would hit Brazil's commodity prices and its currency, feeding through to inflation.

Exchange Rates

After depreciating against the US dollar by 13% in September, December as global risk aversion rose and the BCB cut policy rates, the Real has strengthened in January by 5% as sentiment improved. Assuming that a full-blown euro zone debt crisis is avoided, the Real will strengthen, owing to sizeable capital inflows seeking investment opportunities, and healthier debt and GDP growth dynamics compared with advanced economies. The policy easing cycle is expected to come to an end in the second quarter, with rates at 10% or slightly below, keeping interest rate differentials structurally wide. Our forecast levels will remain around 20% stronger than the Real's average real trade-weighted value over the past 15 years, weighing on the competitiveness of manufactures and some agricultural exports. Beyond US and euro zone risks, a Chinese hard landing would hit Brazil’s terms of trade and weaken the Real.

External Sector

We forecast a steady rise in the current-account deficit to 4.1% of GDP by 2016 as import growth outpaces that of exports, eliminating the trade surplus that Brazil registered for most of the previous decade. The trend will be accentuated by a still-strong currency, which will boost imports and impair export competitiveness, particularly of manufactured goods. The income deficit will rise from 1.8% of GDP in 2011 to 2.1% by 2016, owing to rising profit remittances, while rising imports and net outward tourism (mitigated by visitors for the World Cup in 2014) will keep the services deficit at an annual average of 1.8% of GDP in 2012-16. Barring a sustained rise in risk appetite or an unexpected deterioration in local macroeconomic conditions, attracting sufficient foreign capital will not prove problematic, with foreign direct investment (FDI) forecast to average 2.1% of GDP annually in 2012-16. Reserves will remain more than sufficient to cover Brazil's gross external financing requirement.
**Forecast summary**

(% unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>2011&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2015&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2016&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth</td>
<td>2.9</td>
<td>3.3</td>
<td>4.5</td>
<td>5.0</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Industrial production growth</td>
<td>2.0</td>
<td>3.0</td>
<td>3.7</td>
<td>4.5</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Gross fixed investment growth</td>
<td>5.2</td>
<td>6.0</td>
<td>8.0</td>
<td>9.0</td>
<td>7.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Consumer price inflation (av)</td>
<td>6.6&lt;sup&gt;c&lt;/sup&gt;</td>
<td>5.3</td>
<td>5.2</td>
<td>4.9</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Consumer price inflation (end-period)</td>
<td>6.5&lt;sup&gt;c&lt;/sup&gt;</td>
<td>5.2</td>
<td>5.0</td>
<td>4.8</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Money market interest rate (av)&lt;sup&gt;d&lt;/sup&gt;</td>
<td>11.6</td>
<td>10.1</td>
<td>10.4</td>
<td>10.8</td>
<td>10.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Nominal PSBR (% of GDP)</td>
<td>2.6</td>
<td>2.4</td>
<td>2.2</td>
<td>2.2</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Exports of goods fob (US$ bn)</td>
<td>255.4</td>
<td>258.9</td>
<td>275.2</td>
<td>296.9</td>
<td>335.0</td>
<td>375.5</td>
</tr>
<tr>
<td>Imports of goods fob (US$ bn)</td>
<td>-226.4</td>
<td>-247.7</td>
<td>-277.1</td>
<td>-302.6</td>
<td>-336.2</td>
<td>-381.2</td>
</tr>
<tr>
<td>Current-account balance (US$ bn)</td>
<td>-50.2</td>
<td>-74.6</td>
<td>-100.9</td>
<td>-117.0</td>
<td>-124.4</td>
<td>-139.7</td>
</tr>
<tr>
<td>Current-account balance (% of GDP)</td>
<td>-2.0</td>
<td>-2.8</td>
<td>-3.5</td>
<td>-3.8</td>
<td>-3.8</td>
<td>-4.1</td>
</tr>
<tr>
<td>External debt (end-period; US$ bn)</td>
<td>404.4</td>
<td>453.5</td>
<td>502.2</td>
<td>551.3</td>
<td>602.3</td>
<td>655.4</td>
</tr>
<tr>
<td>Exchange rate R:US$ (av)</td>
<td>1.67</td>
<td>1.72</td>
<td>1.75</td>
<td>1.80</td>
<td>1.85</td>
<td>1.90</td>
</tr>
<tr>
<td>Exchange rate R:US$ (end-period)</td>
<td>1.88</td>
<td>1.73</td>
<td>1.77</td>
<td>1.82</td>
<td>1.88</td>
<td>1.93</td>
</tr>
<tr>
<td>Exchange rate R:¥100 (av)</td>
<td>2.10</td>
<td>2.23</td>
<td>2.18</td>
<td>2.22</td>
<td>2.26</td>
<td>2.29</td>
</tr>
<tr>
<td>Exchange rate R:€ (av)</td>
<td>2.33</td>
<td>2.17</td>
<td>2.16</td>
<td>2.21</td>
<td>2.29</td>
<td>2.40</td>
</tr>
</tbody>
</table>

<sup>a</sup> Economist Intelligence Unit estimates.  
<sup>b</sup> Economist Intelligence Unit forecasts.  
<sup>c</sup> Actual.  
<sup>d</sup> SELIC overnight rate.
## Country Overview

### Annual Data and Forecast

<table>
<thead>
<tr>
<th></th>
<th>2007&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2008&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2009&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2010&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2011&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;c&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal GDP (US$ bn)</td>
<td>1,266.3</td>
<td>1,652.8</td>
<td>1,621.7</td>
<td>2,141.9</td>
<td>2,486.8</td>
<td>2,652.1</td>
<td>2,847.9</td>
</tr>
<tr>
<td>Nominal GDP (R bn)</td>
<td>2,661</td>
<td>3,032</td>
<td>3,239</td>
<td>3,770</td>
<td>4,165</td>
<td>4,557</td>
<td>4,971</td>
</tr>
<tr>
<td>Real GDP growth (%)</td>
<td>6.1</td>
<td>5.2</td>
<td>-0.3</td>
<td>7.5</td>
<td>2.9</td>
<td>3.3</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Expenditure on GDP (% real change)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private consumption</td>
<td>6.1</td>
<td>5.7</td>
<td>4.5</td>
<td>6.9</td>
<td>4.5</td>
<td>4.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Government consumption</td>
<td>5.1</td>
<td>3.1</td>
<td>3.1</td>
<td>4.2</td>
<td>2.5</td>
<td>3.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Gross fixed investment</td>
<td>13.8</td>
<td>13.6</td>
<td>-6.8</td>
<td>21.5</td>
<td>5.2</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Exports of goods &amp; services</td>
<td>6.2</td>
<td>0.5</td>
<td>-9.2</td>
<td>11.5</td>
<td>3.5</td>
<td>4.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Imports of goods &amp; services</td>
<td>19.8</td>
<td>15.3</td>
<td>-7.7</td>
<td>35.9</td>
<td>11.6</td>
<td>15.4</td>
<td>13.8</td>
</tr>
<tr>
<td><strong>Origin of GDP (% real change)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.8</td>
<td>6.3</td>
<td>-3.1</td>
<td>6.3</td>
<td>4.0</td>
<td>4.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Industry</td>
<td>5.3</td>
<td>4.1</td>
<td>-5.6</td>
<td>10.4</td>
<td>2.0</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Services</td>
<td>6.1</td>
<td>4.9</td>
<td>2.1</td>
<td>5.5</td>
<td>3.2</td>
<td>3.3</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Population and Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (m)</td>
<td>184.5&lt;sup&gt;b&lt;/sup&gt;</td>
<td>186.5&lt;sup&gt;b&lt;/sup&gt;</td>
<td>188.6&lt;sup&gt;b&lt;/sup&gt;</td>
<td>190.8</td>
<td>192.8</td>
<td>194.7</td>
<td>196.5</td>
</tr>
<tr>
<td>GDP per head (US$ at PPP)</td>
<td>10,064&lt;sup&gt;b&lt;/sup&gt;</td>
<td>10,699&lt;sup&gt;b&lt;/sup&gt;</td>
<td>10,659&lt;sup&gt;b&lt;/sup&gt;</td>
<td>11,465&lt;sup&gt;b&lt;/sup&gt;</td>
<td>11,858&lt;sup&gt;b&lt;/sup&gt;</td>
<td>12,416</td>
<td>13,116</td>
</tr>
<tr>
<td>Recorded unemployment (av; %)</td>
<td>9.3</td>
<td>7.9</td>
<td>8.1</td>
<td>6.7</td>
<td>6.0</td>
<td>6.0</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Fiscal Indicators (% of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public-sector balance</td>
<td>-2.9</td>
<td>-1.9</td>
<td>-3.2</td>
<td>-2.1</td>
<td>-2.6</td>
<td>-2.4</td>
<td>-2.2</td>
</tr>
<tr>
<td>Public-sector debt interest payments</td>
<td>6.1</td>
<td>5.4</td>
<td>5.2</td>
<td>5.0</td>
<td>5.8</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Public-sector primary balance</td>
<td>3.2</td>
<td>3.5</td>
<td>2.0</td>
<td>2.9</td>
<td>3.2</td>
<td>2.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Gross public debt</td>
<td>58.0</td>
<td>57.4</td>
<td>60.9</td>
<td>53.4</td>
<td>52.8</td>
<td>52.3</td>
<td>51.9</td>
</tr>
<tr>
<td><strong>Prices and Financial Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate R:US$ (end-period)</td>
<td>1.77</td>
<td>2.34</td>
<td>1.74</td>
<td>1.67</td>
<td>1.88</td>
<td>1.73</td>
<td>1.77</td>
</tr>
<tr>
<td>Consumer prices (end-period; %)</td>
<td>4.5</td>
<td>5.9</td>
<td>4.3</td>
<td>5.9</td>
<td>6.5&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Producer prices (av; %)</td>
<td>5.6</td>
<td>13.7</td>
<td>-0.2</td>
<td>5.7</td>
<td>9.5</td>
<td>4.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Stock of money M1 (% change)</td>
<td>33.6</td>
<td>-6.1</td>
<td>12.0</td>
<td>12.6</td>
<td>19.3</td>
<td>15.3</td>
<td>13.0</td>
</tr>
<tr>
<td>Stock of money M2 (% change)</td>
<td>18.1</td>
<td>37.3</td>
<td>8.8</td>
<td>16.7</td>
<td>19.8</td>
<td>17.8</td>
<td>15.4</td>
</tr>
<tr>
<td>Lending interest rate (av; %)</td>
<td>43.7</td>
<td>47.3</td>
<td>44.7</td>
<td>40.0</td>
<td>44.4</td>
<td>40.9</td>
<td>39.8</td>
</tr>
<tr>
<td><strong>Current Account (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>40,032</td>
<td>24,836</td>
<td>25,290</td>
<td>20,221</td>
<td>28,923</td>
<td>11,193</td>
<td>-1,842</td>
</tr>
<tr>
<td>Current transfers balance</td>
<td>4,029</td>
<td>4,224</td>
<td>3,338</td>
<td>2,787</td>
<td>2,761</td>
<td>3,454</td>
<td>3,712</td>
</tr>
<tr>
<td><strong>External Debt (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt stock</td>
<td>237,605</td>
<td>262,140</td>
<td>276,932</td>
<td>346,058&lt;sup&gt;b&lt;/sup&gt;</td>
<td>404,370</td>
<td>453,508</td>
<td>502,190</td>
</tr>
<tr>
<td>Debt service paid</td>
<td>54,935</td>
<td>56,460</td>
<td>44,317</td>
<td>63,862&lt;sup&gt;b&lt;/sup&gt;</td>
<td>77,653</td>
<td>89,225</td>
<td>99,467</td>
</tr>
<tr>
<td>Interest</td>
<td>14,514</td>
<td>16,175</td>
<td>14,166</td>
<td>10,798&lt;sup&gt;b&lt;/sup&gt;</td>
<td>11,902</td>
<td>13,163</td>
<td>15,324</td>
</tr>
<tr>
<td>Debt service due</td>
<td>54,939</td>
<td>56,466</td>
<td>44,322</td>
<td>63,862&lt;sup&gt;b&lt;/sup&gt;</td>
<td>77,653</td>
<td>89,225</td>
<td>99,467</td>
</tr>
<tr>
<td><strong>International Reserves (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total international reserves</td>
<td>180,334</td>
<td>193,784</td>
<td>238,539</td>
<td>288,575</td>
<td>355,500</td>
<td>391,171</td>
<td>417,281</td>
</tr>
</tbody>
</table>

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts. <sup>d</sup> Nominal PSBR inverse.

A. BANKS IN BRAZIL

As of July 2011, there are 123 banks in Brazil registered in Febraban (source: Federação Brasileira de Bancos – Brazilian Banks Federation). 14 of these banks are classified as public banks, and 109 are private banks. Banks are the most common types of financial institutions, and 80% of the banks are members of SWIFT.

The federal government regulates financial institutions. Banking policies are set by the Central Bank of Brazil, while the National Monetary Committee (CMN) regulates money supply and credit control policies.

B. CITIBANK IN BRAZIL

Citi has been operating in Brazil since 1915. There are more than 100 Citi branches in Brazil.

Location of Branches

- Belo Horizonte (5)
- Ceará (1)
- Goiânia (1)
- Brasília (4)
- Curitiba (5)
- Porto Alegre (5)
- Santa Catarina (1)
- Recife (3)
- Rio de Janeiro (18)
- Salvador (3)
- São Paulo (41)
- Barueri (1)
- Santo André (1)
- São Bernardo (1)
- São Caetano (1)
- São José do Campos (1)
- Piracicaba (1)
- Osasco (1)
- Santos (1)
- Guarulhos (1)
- Santana do Parnaíba (1)
- Campinas (3)
- Jundiaí (1)
- Ribeirão Preto (2)

Services Offered to Citibank Clients

- Checking and savings accounts
- Collection services
- Payment services
- Investment options
- Consumer & corporate loans
- Trade Services
A. CLEARINGHOUSE

In April 2002, the Brazilian Payment System was converted from a paper-based payment mechanism to a countrywide on-line payment network. This development significantly strengthened the linkages between securities settlement and funds settlement. Since those settlements, Brazil has 3 Clearinghouses that are responsible for the countrywide clearing system:

STR - Sistema de Transferência de Reservas

STR, which translates to Reserves Transfer System, is a payment electronic network managed by BACEN (Brazilian Central Bank). It allows banks to move funds the same day.

- Checks over BRL 250,000
- Boletos (Collection slips) over BRL 5,000
- T.E.D. (Electronic Funds Transfer or Wire Transfer) is used to transfer funds, over BRL 5,000, from one account to another between different banks

CIP - Camara Interbancaira de Pagamentos

CIP, which translates to Interbank Payment Clearing House, is an automated clearinghouse managed by Febraban (Bank's Union). It is an alternative to STR. It also allows banks to move funds on the same day.

- T.E.D. - (Electronic Funds Transfer or Same Day Funds Transfer): used to transfer funds, over BRL 5,000, from one account to another between different banks.
- D.O.C. - (Credit Order Document): used to transfer funds, up to BRL 5,000, from one account to another between different banks
- Boletos (Collection slips) up to BRL 5,000

COMPE - Centralizadora da Compensação de Cheques

COMPE, which translates to Centralizer Clearance for Checks, is a countrywide paper-based clearinghouse, managed by Banco do Brasil, a government bank. Payments settlement occurs through an overnight batch process

- Checks up to BRL 250,000.
B. CLEARING SCHEDULE

In Brazil the clearing system is divided into local and regional. The local clearing regions are defined by Banco do Brasil. The following table describes the Brazilian Clearing Schedule:
Citibank is the largest private FX player in Brazil for the 5th consecutive year (2007-2011). Operating with a wide range of customers (from individuals to large foreign investors), Citi traded 13 different currencies with its customers in 2010, a volume close to U.S. $200 billion (source: Central Bank of Brazil).

The Central Bank of Brazil, known as “Bacen” -its an acronym in Portuguese - regulates all currency flows in and out of the country. Bacen was created in 1964, replacing the Superintendence of Currency and Credit. Among other functions, Bacen is responsible for implementing the foreign exchange policy and supervising financial institutions.

According to local regulation, the Brazilian Foreign Exchange (“FX”) regime does not permit free convertibility of the currency. Therefore, all FX transactions must follow Bacen’s regulations and must be formalized through a FX contract and registered into Bacen’s system called “Sistema Câmbio”. Banks are responsible for checking transactions to ensure compliance. This may include documenting files, such as FX contracts and underlying documents, and verifying tax related aspects of FX transactions.

Although most of the FX deals are settled in up to 2 business days, full-deliverable forward FX transactions are limited to 360 days, but for some specific underlying transactions longer tenors are permitted.

The Imposto sobre Operações Financeiras (IOF), or financial transactions tax, is applied on the BRL amount of the FX transaction during settlement. Its rate currently varies from 0% to 6.38%, depending on the nature of the transaction. The most common rate is 0.38%. For some sales of foreign currency, a withholding tax - applicable to certain underlying transactions - must also be collected and the collection receipt must be presented to the bank.

A. OPERATIONAL PROCEDURES

Banks are responsible for complying with Central Bank’s FX regulations, including the requirement to keep record of all documentation for all transactions.

FX Brazilian regulation is very strict. The FX contract is signed by legal representatives from the client, the bank, and the broker (when applicable). It is one of the main documentations regarding FX transactions. Additional documentation is required in order to prove the origin of the funds, the economic grounds of the transaction, and the type and nature of the transaction.
B. FX SETTLEMENT TENOR

Spot Transactions

Most of spot FX deals in Brazil are settled in up to two business days, and the two currency legs may be settled on different dates. For example, in an import, the customer may pay Brazilian Reals (BRL) on D+1, and Citi pays USD on D+2. The customer experiences a better FX rate because the spot rate has the potential to decrease by one overnight interest rate.

Full-deliverable forward (“FDF”)

The currency legs may be settled on different dates. Maximum tenor of FDF FX deals depend on the following underlying assets:

- Financial-related deals: up to 360 calendar days
- Import: up to 360 calendar days
- Export: up to 750 calendar days between the hiring and the settlement of the Fx transaction observing the following:
  
a) In case of prior hiring, the maximum term between the Fx contract and the shipment of the goods or provided services is 360 calendar days.
  b) The maximum term for settlement of the Fx contract is the last business day of the 12th month subsequent to the shipment or the provided services.

Non-deliverable forward (“NDF”) option

Both products do not have a legal maximum tenor, but the Brazilian liquidity goes up to approximately 2 years.

C. RECEIVING REVENUES FROM EXPORTS

Brazilian exporters may receive revenues stemmed from exports in an account held offshore. These revenues do not need to be internalized by the exporters in Brazil and can be usable by them for:

- Off-shore investments
- Financial placements
- Payment of the exporter’s own expenses abroad
These funds must not be used to:

- Support lending transactions
- Support Inter-company loans
- Pay any third-party obligations

The individual or entity that holds export funds abroad in foreign currency should declare to the Brazilian IRS (“SRF”) the usage of such funds.

The funds held abroad shall be duly registered in the company’s accounting books pursuant to the effective and applicable commercial rules and regulation.

## D. MAIN TYPES OF FX TRANSACTIONS

**Foreign Direct Investment**

The foreign direct investments are regulated by Law 4.131 of 1962, as amended, which establishes and regulates the application of foreign capital and remittances abroad among other measures. All investment flows must be electronically registered (“RDE-IED”, through Sisbacen), and such registration is essential for further remittance of dividends, capital repatriation, or registration of reinvested profits. Such registration must be made before the investment’s inflow of funds.

Foreign direct investments can be made by purchasing shares of existing companies from their owners - whether they are Brazilian residents or not - subscribing to new issue of shares by established businesses, or entering into new partnerships.

**External Loan & Issuance of Bonds Abroad**

International borrowing can be obtained either in the form of loans or through the issuance of bonds in the international capital markets.

All loans obtained and bonds issued abroad must have its terms and conditions registered electronically in Sisbacen (the so-called “RDE-ROF” before closing the FX transaction). In such registration, the borrower must register the parties, the financial conditions and terms, and other information required for the transaction to be carried out.

The RDE-ROF must be completed by the borrower or its legal representative before the inflow of resources into Brazil. A registration number is provided by ROF for the registration of any further information related to the respective transaction.

4 System from Central Bank of Brazil.
Obtaining the RDE-ROF number is vital for closing the FX agreement. The RDE-ROF number is valid for 60 days. After this period, with no flow of resources into Brazil, as described in the Bacen’s regulation, the RDE-ROF number is automatically cancelled.

Principal amortization and Interest payments have to follow the schedule of payment and conditions determined in the RDE-ROF. Interest payments are subject to a withholding tax in most cases.

As of April 2012, such transactions, with a medium tenor of up to 1800 days, are subject to an IOF tax of 6% on the inflow FX.

**Investments by Conversion of Foreign Credits**

A conversion to foreign direct investment is deemed as being the operation by which credits, that may otherwise generate transfer to other countries, based on the regulations in effect, are used by the non-resident creditor for the purchase or payment of capital sharing in a company located within Brazil.

Conversion into foreign direct investment of remittable credits shall be processed by simultaneous operations of purchase and sale of foreign currency, without payment order, issued to or from other country, by using the nature-classification correspondent to the type of credit used and the foreign direct investment realized, and a specific group code.

**Repatriation of Capital**

Sale of shares is the most common way to repatriate capital. The investor’s capital gain is measured by comparing the foreign capital registered in Bacen (RDE-IED) with the amount received by selling the shares. As a general rule, gains obtained in the sale of shares in excess of the foreign capital amount registered in Bacen, is subject to a 15% withholding tax when remitted to non Tax Haven locations.

Repatriation of the foreign capital not registered in Bacen requires specific authorization from Bacen and, as a general rule, are also subject to a 15% withholding tax.
Remittance of Royalties

In general, royalty payments from patent, trademark, technical assistance or supply of technology are authorized only after the respective agreement (e.g., licensing agreement, services agreement, etc.) is duly registered within the National Institute of Industrial Property (“INPI”).

After the registration of such agreement by INPI, a RDE-ROF registration, performed within Sisbacen, must be obtained. Such registration is essential so that remittances can be performed.

Foreign Portfolio Investment

Resolution 2689 allow foreign portfolio investments in the Brazilian stock exchange and fixed-income markets through the commercial FX market. Foreign investors are allowed to invest in all investment products available to local residents. They must have local representatives in Brazil for Legal, Tax, and Custody matters.

E. TAXES
### FOREIGN EXCHANGE CONTROLS

**Brazilian Taxes Applicable to local and offshore Investors**

<table>
<thead>
<tr>
<th>Investments</th>
<th>Local Investors</th>
<th>Non Resident – BCB Resolution 2689</th>
<th>Type of Payment</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income type: Securities, mutual funds</td>
<td>22.5% until 180 days</td>
<td>22.5% until 180 days</td>
<td>WHT</td>
<td>(1) See comments on &quot;box&quot; transactions</td>
</tr>
<tr>
<td>Box type operations (1)</td>
<td>20%–181 until 360 days</td>
<td>20%–181 until 360 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.5%–361 until 720 days</td>
<td>17.5%–361 until 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15% more than 720 days</td>
<td>15% more than 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazilian public bonds</td>
<td>22.5% until 180 days</td>
<td>22.5% until 180 days</td>
<td>WHT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20%–181 until 360 days</td>
<td>20%–181 until 360 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.5%–361 until 720 days</td>
<td>17.5%–361 until 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15% more than 720 days</td>
<td>15% more than 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Swap</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CETIP and BMF registered</td>
<td>22.5% until 180 days</td>
<td>22.5% until 180 days</td>
<td>WHT</td>
<td>See item &quot;a&quot; transactions</td>
</tr>
<tr>
<td></td>
<td>20%–181 until 360 days</td>
<td>20%–181 until 360 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.5%–361 until 720 days</td>
<td>17.5%–361 until 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15% more than 720 days</td>
<td>15% more than 720 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stock spot Market</strong></td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Options/Forwards at the stock exchange market</strong></td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Options/Forwards – BMF-listed transactions</strong></td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>All other listed transaction conducted at an organized market</strong></td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Variable Income Type–Gains</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gold – Financial (asset) instrument</strong></td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Option – OTC – BMF (registered)</strong></td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Stock – Mutual Funds</strong></td>
<td>15%</td>
<td>15%</td>
<td>10%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Day trade transactions in the stock BMF Market</strong></td>
<td>20%</td>
<td>20%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>WHT on the day-trade transactions</strong></td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>WHT on the transactions above</strong></td>
<td>0.005%</td>
<td>0.005%</td>
<td>0%</td>
<td>Monthly Payment transactions</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Interest on Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Normal</strong></td>
<td>15%</td>
<td>15%</td>
<td>25%</td>
<td>WHT</td>
</tr>
</tbody>
</table>

To see the list of tax haven issued by Brazilian IRS - contact Brazilian Tax Department. This chart is to be taken as General Brazilian tax.
IOF (“Imposto Operações Financeiras”)

Fixed Income Tax - Local and Foreign investors investing money in fixed income are subject to IOF in accordance with the tenor of the transaction table. After 30 days run there is no IOF anymore.

IOF for FX Transactions

The current rate for most FX Transactions is 0.38% flat. The inflow of funds for investment in financial and capital markets under BCB Resolution 2689, for instance, is currently subject to IOF at 6%. The rate may change from 0 to 25% as a result of the Brazilian Government monetary policy control.

PIS and COFINS Revenue Taxes

Local financial companies are subject to a cumulative regime of 4.65%, local non-financial companies are exempted on financial revenues (general non-cumulative regime applicable rate is 9.25%).

- “BOX” Operations: Any transaction(s) or combination of deals that will provide a positive result for the investor (even if 2 or more types of derivatives are used, as the combination of the various deals is set for resulting as positive).
- Double tax Treaties Rates: Please consult with tax department for more information about reduced treaty rates.
- Day Trade WHT: Offset may occur at the monthly payments.
- Structures related to FIA/FAQ/FIF are subject to 15% on the quotas’ redemption plus [and an approved FTC is to be compensated with US$40 million]. Please note that at least 67% of the Portfolio of the Funds must be invested in shares, debentures or subscription rights in order for the WHT at 15% to be applicable. If this requirement is not complied with, the WHT would be levied at regressive rates depending on the term of the investment.
- As per Law 11.033 and 11.053 and Normative Instructions 487/05, starting on January 1st, 2005, these transactions (fixed income, and swap transactions) are subject to a Withholding tax depending on the tenor of the transactions.
- Revenues generated in the previous years are subject to 20%.

Please Consult The Tax Department For Proper Applicable Rules.
Income Tax on Capital Gains

According to the Brazilian legislation, capital gains obtained by entities located abroad on sale of assets held in Brazil, are subject to income tax in the country no matter if the transaction is conducted with a party resident, or domiciled in Brazil. The applicable rate varies from 0% to 25%, depending on (i) where the seller is located and/or (ii) where the transaction is carried out (if in the Stock Exchange or not).

As follows:
- 2,689 Investment held by investors not located in Tax Haven:
  - 0% for capital gain derived from transactions carried out on the Stock Exchange.
  - 15% for capital gain derived from transactions carried out outside the Stock Exchange.
- 4,131 Investment held by investor not located in Tax Haven:
  - 15% for capital gain derived from any transaction, no matter if carried out on or outside the Stock Exchange.
- 4,131 Investment held by investor located in Tax Haven and 2,689 Investment held by investor located in Tax Haven:
  - 15% for capital gain derived from transactions carried out on the Stock Exchange.
  - 25% for capital gain derived from transactions carried out outside the Stock Exchange.

Collections

Regarding the responsibility for the collection of the income tax, on transactions carried out outside the Stock Exchange in which the Buyer is in Brazil (as the Sale of the 4,131 Investment), the tax must be withheld and collected by the Buyer, in view of the fixed premise that such party is resident or domiciled in Brazil. In this case, the income tax must be calculated at the moment of the Sale and collected in the date the price is paid to the Seller.

Differently, on transactions carried out in the Stock Exchange (as the Sale of the 2,689 Investment), the income tax is not withheld by the Buyer, but calculated and collected by the attorney of the Seller in Brazil. The income tax is paid on the Net Gains and only the Seller is able to consolidate all the results of its transactions carried out on the Stock Exchange.

Tax Treaties

Brazil has tax treaties with various countries. The agreements relate to the reduction of withholding taxes on dividends, royalties, and interest payments for loans remitted abroad. The maximum withholding tax on interest payment remitted abroad is currently 15% for all countries.
A. IMPORT TARIFF STRUCTURE

Maximum Rate: up to 70%
Minimum Rate: No minimum rate.

B. REGIONAL TRADE ASSOCIATIONS

ALADI (“Association of Latin American Integration”)
Imports affected under the ALADI agreement are exempt from the requirement to obtain an import license (or an authorization to buy foreign currency). The use of the ALADI payment system is mandatory for imports and exports with the countries that are members of ALADI (Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela). Additionally, there is a bilateral free trade agreement in effect with Colombia.

MERCOSUR

The MERCOSUR was created by the Treaty of Asunción signed by Argentina, Brazil, Paraguay and Uruguay on March 26, 1991. Chile and Bolivia became associate members in 1996 and 1997 respectively. With a population of 220 million and a GDP of US$ 1.3 trillion in 1997, MERCOSUR is the fastest growing trading bloc in the world. It experienced a trade growth of 400% in the period 1990-97.

OBJECTIVES OF THE MERCOSUR:

- Free transit of production goods, services and factors between the member states with inter alia, the elimination of customs rights and lifting of non-tariff restrictions on the transit of goods or any other measures with similar effects.
- Fixing of a common external tariff (TEC) and adopting of a common trade policy with regard to non-member states or groups of states, and the coordination of positions in regional and international commercial and economic meetings.
- Coordination of macroeconomic and sectorial policies of member states relating to foreign trade, agriculture, industry, taxes, monetary system, exchange and capital, services, customs, transport and communications, and any others they may agree on, in order to ensure free competition between member states.
- The commitment by the member states to make the necessary adjustments to their laws in pertinent areas to allow for the strengthening of the integration process.
The Asunción Treaty is based on the doctrine of the reciprocal rights and obligations of the member states.

MERCOSUR initially targeted free-trade zones, then customs unification and, finally, a common market. In addition to customs unification, the free movement of manpower and capital across the member nations’ international frontiers is possible, and depends on equal rights and duties being granted to all signatory countries. During the transition period, as a result of the chronological differences in actual implementation of trade liberalization by the member states, the rights and obligations of each party will initially be equivalent but not necessarily equal. In addition to the reciprocity doctrine, the Asunción Treaty also contains provisions regarding the most-favored nation concept. The member nations undertake these provisions to automatically extend--after actual formation of the common market--to the other Treaty signatories any advantage, favor, entitlement, immunity or privilege granted to a product originating from or intended for countries that are not party to ALADI.

Many investment opportunities exist and are properly evaluated according to the profile of each customer.

**A. OVERNIGHT INVESTMENT AND/OR SWEEPS**

Money Market Funds are available for overnight investors. Rates are based on CDI (interbank rate). For institutional investors there is also a repo structure for overnight investments. These structures are collateralized by government bonds.

**B. C.D.’S- “CERTIFICADOS DE DEPÓSITO BANCÁRIO”**

C.D.’s are offered on a minimum 90 days for floating rate. No minimum tenor applies for fixed rate investments, however, IOF taxes do apply over tenors smaller than 30 days. No minimum investment amount is required. Interest is paid at maturity. CD cannot be issued indexed to USD; to achieve a USD indexed investment with a CD, it must be combined with a Swap from Reals to USD.

**C. T-BILLS**

The government uses T-bills primarily to regulate money supply.

**Types of Government Securities**

- Floating Rate Bonds: These bonds are indexed to Selic and accrue on a daily basis
- Dollar Index Bonds: These bonds are indexed to USD and pay semi-annual interest of 12% and 6% depending on the note issuance.
D. MUTUAL FUNDS

Investment funds in Brazil are regulated by CVM (Comissão de Valores Mobiliários) and are organized as condominiums. The main regulation regarding investment funds in Brazil is the Instruction CVM n. 409. There are also other specific regulation that applies to specific investment funds, known as structured funds such as: credit rights / receivable funds, real estate funds, and private equity funds. According to the local regulation, the investment funds can be organized as open-end or closed-end condominiums. The open-end investment funds allows the quota holders to redeem their quotas at any time and do not allow any transfers of quotas. On the contrary, the closed-end investment funds only allow the redemption on the termination of the fund being admitted.

E. COMMERCIAL PAPER

Commercial Paper is used as an investment instrument for periods of up to 180 days. Same interest is yielded as that paid by second-line banks on 30 day CDs. Many local companies issue commercial paper, which is usually placed through a public offering. All issues of commercial paper must be authorized by the Brazilian securities commission. In the Brazilian market, there is a primary stock exchange, an organized OTC market, an options and futures market, as well as several smaller regional stock exchanges.

The Bolsa de Valores de Rio de Janeiro (BVRJ)

In January 2000, the BM&FBOVESPA and the Bolsa de Valores do Rio de Janeiro (BVRJ) signed a merger agreement that became effective in June 2000. Under the terms of this merger agreement, BM&FBOVESPA became the sole entity on which equities would be traded that had previously been traded on both exchanges. BVRJ, in contrast, would be responsible for developing a secondary market for the trading of government fixed income instruments. At the present time, BVRJ is being restructured to be responsible for the secondary market of Government bonds.

BM&FBOVESPA

BM&FBOVESPA lists 470 companies on the exchange which is owned by 94 member brokers (42 National Brokers; 2 regional Brokers; 30 International Brokers and 20 Regional - Rio de Janeiro Brokers)

Hours
- Regular: 10:00am - 13:00pm, 14:00pm - 16:45pm
- CATS (electronic trading): 10:00am - 17:00pm

Instruments traded
Equities, futures, options.
G. DEBENTURES

These are Corporate issued bonds for longer tenors, they have a higher yield than government bonds, but liquidity in this market is still very small.

H. EXPORT NOTE

These are commercial papers issued by export companies to fund their export production. They are purchased by banks and then resold to investors that want to invest in a USD index bond, with a repurchase agreement from the bank, so the investor is running the bank’s credit risk, not the issuer’s.

CASH MANAGEMENT SERVICES

A. GENERAL BUSINESS TERMS AND CONDITIONS

Foreign Currency Accounts

Brazilian companies and its off-shore legal entities are allowed to have off-shore foreign currency accounts. Such accounts can be used for foreign currency receivables and for payments of its own foreign currency obligations and must comply with Brazilian Central Bank regulation. Citibank offers off-shore accounts out of New York and London.

Brazilian companies with off-shore accounts must provide the following reports to regulators:

- Derex: Provided once a year for the IRS, it describes the total exports received in the offshore account and what type of payments was done with these receivables (monthly). Applicable to exporters, only.
- CBE: As a general rule, must be provided once a year for the Brazilian Central Bank. It must be reported if total assets held offshore is equal or higher than USD 100 thousand at the year-end (Dec 31st). Only the amount at that day. Clients with assets equal or above U.S. $100 million, must provide quarterly reports.

Companies in specific industries - insurance, reinsurance, energy, tourism, etc. - can operate local foreign currency accounts under specific regulations of the Central bank. Citibank has a limited offering for local foreign currency accounts.

Local Currency Accounts

Our clients who are legally established in Brazil, or represented by a local legal representative may open accounts in local currency in Citi Brazil. The Brazilian government forbids both resident and non-resident companies to hold accounts in a foreign currency.

Variable according to New York stock market hours and daylight saving time.
Daylight overdraft facilities are permitted. Zero Balance Accounts are also permitted. They are called Target Balance Accounts and they are non-interest bearing. Netting and pooling, however, are not allowed in Brazil.

Any payment received by a non-resident account (from any source or for reason) is considered to be an “International Rates Transfer” under the terms of Circular Letter # 2242. The only exception are those payments coming into a non-resident account from another non-resident account, held at Citi or at another Brazilian bank. Any payment into a non-resident account made by a Brazilian party - even if the party is not aware it is making a payment into this account, and even if the party has no intention of making a rate transfer abroad - is deemed by the Central Bank as an international rates transfer. In many cases, the party making a payment into a non-resident account does so precisely because the party intends to carry out an international rate transfer. In those cases, the holder of the non-resident account is a foreign financial institution.

B. CITI’S ACCOUNT SERVICES SOLUTIONS IN BRAZIL

Types of Deposit Demanding Accounts

Resident Deposit Demanding Account - Local Currency Account:
- Interest Rate: Legal restrictions do not allow interest bearing accounts
- Minimum Balance Requirement: None
- Overdraft Facility: Overdrafts are not allowed. Similar facilities may be possible under specific contracts (such as credit facilities), however, interest charges may be very high.

Non-Resident SmartAccount - Local Currency Account
- Interest Rate: Legal restrictions do not allow interest bearing accounts
- Min. Balance Requirement: None
- Overdraft Facility: Overdrafts are not permitted.

The main banking regulation in Brazil is the law nº 4595/64 dated December 31, 1964. It was implemented by the Central Bank Administration. Articles 9 and 4 - VIII of the referred law, jointly with Article 64 of the law number 8383 dated December 30, 1991, expressly granted to the Central Brazilian Bank the exclusive power to regulate bank accounting matters in Brazil. The Brazilian Central Bank regulates the conditions governing the opening of a deposit account by two administrative Resolutions, number 2025 dated November 25, 1993 and number 3461 dated July 29, 2009. The key point of Resolution number 2025 is the establishment of the obligation to utilize Standard Form Contracts which gathers all the information to be provided and sets forth all the obligations to be fulfilled by the legal entity wishing to open a deposit account. For the resolution 3461, the key establishment regards the identification of the final beneficiary of the relationship and purpose of the account opening.

Citibank Brazil does not offer the non-resident account as a standard product. Every offering must be approved by local Business Head and Treasurer. The account offering must be submitted to Product Management which will analyze the case and get those approvals. Regarding Compliance with Central Bank Requirements Information Sheet regarding to Non Resident Account Opening. The Local Legal Representative must report real conversion to Central Bank. If client has high volume of Conversions, Citi Brazil may not be prepared for the operational issues involved in getting Central Bank’s approval.
Documentation and Regulation – Resident Non-Resident

Documentation related to powers, signatories and constitution:
- Tax identification number
- Certified copies of residence proof, TIN and ID of Legal Representatives and Directors
- Copy of minute of Board of Director election, legalized by a registry office
- Statutes copy and subsequent alterations, legalized by a registry office
- Copy of minute of Manager election, legalized by a registry office
- Copy of partnership deed
- Three signatures in the Signature Card, of each Legal representative, accommodated by another bank or registry office
- Demanded Documents for Resident Account Opening
- Personal data of Legal Representative (affiliation, nationality, date of birth, marital status, social security number, complete address)
- Equity, Capital Stock, date of balance sheet and kind of relationship with Citi in case of a financial institution
- Personal data or Legal Representative from Financial Institution in case of common control*
- Power of Attorney.
- For Brazilian Non-resident, a copy of definitive exit statement presented to SRF.

Formalities Required for Customer’s Documents (e.g. Legalization)
- Originals of documents are not legally required
- Certified copies are required
- Originals of documents are not legally required
- Certified copies are required
- Local Legal Representative required

How to handle customer documents in languages other than the country’s official language(s)
- All documentation shall be provided in Portuguese – the official language
- Documents, if in foreign language, must be officially translated to Portuguese
- Such translation could be performed in the foreign country and legalized by the Brazilian Embassy or in Brazil by a legally registered translator

Other Documentation Required
- Customer Activation Form
- MIFT Form
- Local Acceptance Form
- Certificate (model A for Citi Customers or model B for Citi noncustomers)
- Exhibit 4 (Non Resident Account Opening Form)
- Legal Representative
- Designation and Waiver of Bank Secrecy / 8383 (only required if the client adheres to the investment option of the Local Acceptance Form)
C. Citi's Payment Solutions in Brazil

Cross Border Delivery Payments

- CitibankingSM
- Trade Import and Trade Export
- Cash Management
- PayLink
- Worldlink Plus
- Securities

International outgoing transfers are allowed in foreign currencies, and a set fee is charged per transaction. Transactions above BRL 10,000 are considered international transfers and are therefore charged a percentage fee based on the amount of the transfer. The cut-off time for international funds transfer in a foreign currency is 2:00 p.m.

Local Payments

Citi PayLink SM
Citi Brazil offers both same day and scheduled (value date) payments via PayLink. The types of payments available include Manager's Check, DOC (Interbank Transfer), TED (Same Day Interbank Transfer), Book to Book Transfer, and Payment of Collection Invoice issued by Citi or other bank. Brazil also has the DDA (Debit Direct Authorization) that includes the electronic solution for slip payment.

D. Citi's Collections Solutions in Brazil

For all modalities, the debtor may pay the invoice at any bank within the local clearing system until due date. After that, the debtor must pay the invoice at Citi branches or in local banks with which Citi has an agreement for receiving past due collection (informed in the collection slip). Citi also offers a web site to print collection slips that can be accessed by the customer or debtors using the invoice number, customer tax ID and debtor tax ID. For past due collection, the web site provides slips with penalty and interest included in the collection value, which can be paid in any bank branch as well. This is an important facility since it is an easy way for debtors to pay past due slips.
Cross Border Delivery Systems

- International Cash Letter Service - This is an efficient collection service for USD checks. The USD DDA account of the client is credited on the fourth independent of when the check has cleared.
- Global Check Clearing - This is a collection service for checks in various currencies. The client receives the credit in their USD account only after Citi collects on the check. Most appropriate for non-USD checks.

Local Collections - Speed Collect

- Bank Emission: (Cobrança Simples – with Citi emission) – To initiate this process, the client sends Citi the necessary information through a file upload via CitiDirect or EDI (Electronic Data Interchange). Citi will then issue collection slips and deliver them to the debtors through regular mail, e-mail or Internet. The client is informed on a daily basis regarding settlements, through a return file.

- Client Issuing: The client issues the collection slips, delivering them directly to the debtors. Information regarding the invoices must be sent to Citi via CitiDirect or EDI in the same day. The client is informed on a daily basis regarding settlements, through either CitiDirect or EDI.

E. DELIVERY SYSTEMS

Direct Collection

This service allows the client to issue and deliver collections directly to the debtors, without sending electronic files to Citi. Basic information regarding the paid invoices are available to the client through CitiDirect or EDI.

Cross Border Delivery Systems

SWIFT
Local Address CITIBRSP
NY Address CITIUS33
CitibankingSM

Notary Services are provided.
Notary services are NOT provided for direct collections.
Local Collections

Citibanking On LineSM and Citibanking On Line Web
Scheduled Citibanking On Line Times:
• Monday through Friday 8:00am - 8:00pm
• Cut-off time for payments 5:00pm

TRADE SERVICES

A. TRADE FLOW – 2011

Exports: U.S. $256.03 billion
Imports: U.S. $226.24 billion

B. TRADE PRODUCTS AND SERVICES

Trade Services
• Letters of Credit
• Documentary Collections
• Guarantees
• Bid & Performance Bonds

Trade Finance
• Short-Term Export Transaction (ACC/ACE)
• Import Financing
• Offshore loans
• Draft Discount
• Proex
• Export Credit Note (NCE)

C. SECURITIES SERVICES

(Market Highlights table on next page).
**Market Highlights**

- **Types of Securities**
  - Equities, Government Bonds, Corporate Bonds, and also derivatives

- **Numbering System**
  - Equities - ISIN & Local
  - Fixed Income - ISIN & Local

- **Primary Stock Exchange**
  - BM&FBOVESPA

- **OTC Stock Market**
  - BM&FBOVESPA Equities division (former BOVESPA)

- **Market Statistics**
  - Equity Capitalization: BRL 2.6 trillion (approx USD 1.6 trillion) (March 2011)
  - Fixed Income Capitalization: BRL 1.6 trillion (approx USD 1 trillion) (March 2011)
  - Total Capitalization: BRL 4.2 trillion (approx USD 2.6 trillion) (March 2011)
  - Number of Firms Listing Equity: 375 (March 2011)
  - Average number of daily transactions: 481,523 (March 2011)
  - Average daily trading value: BRL 6.5 billion (approx USD 4.1 billion) (March 2011)

- **Market Indices**
  - Locally, the main stock market index is the IBOVESPA (IBOV), published by BM&FBOVESPA. It is based on the trading volume of the main companies listed in BM&FBOVESPA stock exchange. Other indexes related to the stock market, grouped by sectors, market capitalization or corporate governance levels, are also published by BM&FBOVESPA and can be found in its website: http://www.bmfbovespa.com.br/indices/BuscarIndices.aspx?idIong=en-us
  - Fixed income and hedge funds market indices in the local market are published by ANBIMA (former ANDIMA), the Brazilian Financial and Capital Markets Association. The main ones are the IMA Series (ANBIMA Market Index), which track government bonds, and the IEFA (ANBIMA Hedge Funds Index). More information on these indexes can be found in their website: http://www.andima.com.br/english/index.asp
  - Worldwide there are various indices with Brazilian securities in its composition and some indexes providers, such as MSCI and Dow Jones, publish Brazil-specific indices.

- **Depository**
  - BM&FBOVESPA-CBLC

- **Equity**
  - Sistema Especial de Liquidação e Custódia (SELC) – Government Bonds Central de Custódia e Liquidação Financeira de Títulos (CETIP)

- **Fixed Income**
  - Corporate Bonds
In addition to its traditional brokerage and custody operations for local investors, Citi began to offer specialized custody, legal representation and tax representation for cross border investors in 1990. Citi was the first institution to offer custody and representation services to this segment of investors.

Citi has over 90 years presence in Brazil and has facilitated the building of strong relationships with the central bank, the securities commission, stock exchanges and depositories. This allows for the provision of a unique service to our customers.

Custodial Services

- Safekeeping/record-keeping of securities held at depository
- Settlement (free or against payment)
- Corporate action management
- Income collection control
- Cash and securities account maintenance
- Reporting

Other Services Available

- Legal representation services
- Tax representation services
- Foreign exchanges facilities
- Fund administration.

Excellent Execution

Citi has the most highly acclaimed network of any custodian bank.
Global Consistency

Citi delivers consistent securities clearing and custody service globally via its core systems set and the support of its three Regional Service Centers in Tampa (for the Americas), Dublin (for Western Europe) and Singapore (for Asia).

Local Market Expertise

Citi’s long standing presence in both the established and emerging markets has resulted in an unrivalled advantage with respect to local, legal and regulatory issues. Through our participation in the various local depositories and clearing houses, Citi is able to quickly and thoroughly evaluate depository risk. Citi personnel within each market are meeting with local regulators, stock exchanges and central depositories and clearing houses on a regular basis in order to be closely informed of market changes which may impact our clients’ business as well as to influence changes in settlement practices and regulations in order to benefit our customers.

Global Breadth

Citi has the largest proprietary network of any other custodian bank (Citi provides direct clearing and custody services in 59 markets).

Industry-Specific Client Coverage

Citi has Relationship Managers, Account Managers, Client Services, Product Management, and Technology Specialists, which focus specifically on a certain market segment to ensure the highest possible client service.

Key Competitive Advantages for Citi Brazil

- Largest Concentration of Foreign Clients (57% of international investment trading is settled through Citi Brazil).
- Automated Pre-Matching with local counterparts and automated interface with the local depository.
• Dedicated Product Management Team consisting of experts in the local market structures, regulations and products. In addition to custody services, Citi’s product offering encompasses Fund Processing, Back-Office Outsourcing and Clearing Services. Citi is the first provider to offer foreign broker-dealers the advantage to move the financial settlement away from the executing broker.
• Citi Brazil is on:
  • Board of Bovespa Self Regulation Entity
  • Vice chairman of ANBIMA (Brazilian Financial and Capital Markets Association)
  • Custody sub-commission under ANBIMA
  • Board of Febraban (National local bank association)
  • Product Management in Brazil participates in all major associations including ANBIMA (Brazilian Financial and Capital Markets Association), ABBI (International Bank Association) and FEBRABAN (National Bank Association). At the moment, Citi is participating in the discussions of the new Selic’s system design.
• Integrated securities and cash processing.
• Dedicated Corporate Actions Unit providing English translations and proxy services.
• Technologically advanced systems and processes that ensure timely processing and reporting of custody instructions.
• Citi’s brokerage subsidiary (Citi DTVM) is a full clearing member of CBLC.
## MARKET GUIDE FOR TREASURY

<table>
<thead>
<tr>
<th>Service</th>
<th>Non-Residents</th>
<th>Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Accounts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Overdrafts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest-Bearing Accounts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore local currency operating accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore foreign currency operating accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Time Deposits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Domestic Notional Pooling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inter-company Lending</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FX Convertibility/Transferability
- Local currency is not freely convertible.
- FX market in Brazil is very regulated and all transactions demand comprobatory documentation.
- Transfers are subject to IOF 0.38% tax (in most of cases).
Central Bank and Other Regulatory Requirements
Reporting on activity on NY accounts has to be done on a yearly basis to the Central Bank in Brazil

For more information, please visit www.transactionservices.citi.com.

Notes:
1 Residents can hold an offshore account that gives permission to hold 100% of exports (with shipments from 03-01-07) abroad to pay own obligations, investments and financial applications.
2 Residents can also hold accounts abroad to send foreign currency balances, invest and initiate payments.
3 There is no pooling structure in Brazil.
CONTACT INFORMATION

Industry Sector Heads

**Carolina Juan**  
Treasury and Trade Solutions Client Sales Management  
Latin America & Mexico Head  
Citi Transaction Services  
Email: carolina.juan@citi.com  
Cel: + 57 (316) 743 - 9347  
Of. Phone: +57 (1) 639 - 4026

**Brazil**  
Adoniro Cestari  
Email: adoniro.cestari@citi.com  
Cel: +55 (11) 7130 - 9447  
Of. Phone: +55 (11) 4009 - 7838  
Based: Sao Paulo, Brazil

**Central America**  
Evelin Madrid  
Email: evelin.madrid@citi.com  
Cel: + 506 8701 - 4529  
Of. Phone: +506 2588 - 7541  
Based: San Jose, Costa Rica

**Andean Region**  
Carolina Juan  
Email: carolina.juan@citi.com  
Cel: + 57 (316) 743 - 9347  
Of. Phone: +57 (1) 639 - 4026  
Based: Bogota, Colombia

**Argentina**  
Adrian Scosceira  
Email: adrian.scosceira@citi.com  
Cel: +54 (911) 5674 - 6966  
Of. Phone: +54 (11) 4329 - 1194  
Based: Buenos Aires, Argentina

**Industrials Sector**  
Ines Vargas Barrera  
Email: ines.vargasbarrera@banamex.com  
Cel: +52 (181) 8366 - 5190  
Of. Phone: +52 (81) 1226 - 8525

**Branding, Consumer and Healthcare Sector**  
Oscar Mazza  
Email: oscar.mazza@citi.com  
Cel: +1 (305) 588 - 9396  
Of. Phone: +1 (305) 347 - 1336

**Technology, Media and Telecom Sector**  
Gabriel Kirestian  
Email: gabriel.kirestian@citi.com  
Cel: +54 (911) 3301 - 4826  
Of. Phone: +54 (11) 4329 - 1516

**Energy, Power and Chemicals Sector**  
Peter Langshaw  
Email: peter.langshaw@citi.com  
Cel: +55 (11) 6183 - 6958  
Of. Phone: +55 (11) 6183 - 6958

**Public Sector**  
Jorg Paasche  
Email: jorg.paaschejunco@banamex.com  
Cel: +52 (1) 55 5453 - 0103  
Of. Phone: +52 (55) 2226 - 6020  
Based: Mexico DF, Mexico

**Non Bank FI Sector (NFBI)**  
Ricardo Dessy  
Email: ricardo.dessy@citi.com  
Cel: +54 (911) 6641 - 9752  
Of. Phone: +54 (11) 4329 - 1471  
Based: Buenos Aires, Argentina