

## BRAZIL REOPENS A 15 YEAR BOND DENOMINATED IN LOCAL CURRENCY ON THE EXTERNAL MARKET

Last December 5, the Brazilian National Treasury conducted the second Global BRL 2022 bonus reopening, when R\$750 million, about US\$346 million was issued. The favorable external scenario contributed to the operation success, jointly managed by Goldman Sachs and Morgan Stanley and co-managed by Itaú Bank. The security's demand was substantially above the amount issued, allowing the National Treasury to select the best conditions and, therefore, to issue that bonus with lower costs than the former occasions.

The 15-year bond denominated in local currency was sold at 105.875% of its face value, yielding 11.663% p.y. The investor will receive an interest of 12.50%p.y. as coupon paid half-yearly on Jan-5<sup>th</sup> and Jul-5<sup>th</sup> of each year, when the payments shall be made in US Dollars, according to the average exchange rate (PTAX) two days prior to the pay day. The operation was settled on Dec-11<sup>th</sup>.

Another factor that has contributed to the operation's success was the recent positive BRL 2022 performance. There has been a growing upward trend in its trading price in the secondary market, which demonstrate the strong demand for Brazilian assets, associated with the foreign investors expectations about

sound economic policy, where stability is to be maintained in local currency.

### *Global BRL 2022 Issuances*

Operation	Date	Volume Issued (US\$ million)	Price (% of Face Value)	Yield
<b>Issuance</b>	9/6/2006	743	97.563	12.875%
<b>1st Reopening</b>	10/5/2006	301	100.250	12.466%
<b>2nd Reopening</b>	12/4/2006	346	105.875	11.663%

Source: National Treasury

With this new reopening, the total BRL 2022 outstanding amount in the market hit R\$ 3.0 bn (roughly US\$ 1.4 bn), which concedes to the security broader liquidity in its secondary market trading.

The Brazilian National Treasury reinforces the BRL 2022 as the second benchmark maturity at the external yield curve in local currency, that had already displayed another security maturing in 10 years, the so called BRL 2016, issued on Sep-05. As a consequence, the fixed rate yield curve is lengthened at a lower cost than the domestic market curve, observing than, the qualitative nature of the external issuances announced in the External Debt (DPFe) financing program for 2007-2008.

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National Treasury: <http://www.stn.fazenda.gov.br/>

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**Aspects of the 2<sup>nd</sup> Global BRL 2022 Reopening, on 12/4/2006**

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Term	15 years
Maturity	01/05/2022
Interest coupon	12.5% per year
Reopening price	105.875% of face value
Yield	11.663% per year
Principal payment	Single payment at maturity
Interest payment	Semi-annual payments

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***Public Debt Strategic Planning Office Investors Relation***

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