

BRAZIL ISSUES 21 YEAR BOND IN LOCAL CURRENCY ON EXTERNAL MARKET

The National Treasury launched on Feb 7, the Global BRL 2028, the third maturity denominated in local currency (BRL o R\$). This issuance was performed in accordance with the Annual Borrowing Plan (PAF) regarding the qualitative nature of external issuances, aiming at consolidating the external yield curve in local currency. This operation amounted R\$ 1.5 bn, roughly US\$ 750 mn and was led by *JP Morgan and UBS Investment Bank* and was co-managed by *Itaú Europa Bank and BB Securities*.

The 21-year bond denominated in local currency was sold at 96.451% of its face value, yielding 10.68% p.y. The investor will receive an interest of 10.25% p.y. as coupon paid half-yearly on Jan-10th and Jul-10th of each year, when the payment shall be made in US Dollars, according to the average exchange rate (PTAX) three days prior to the pay day. The operation was settled on Feb-14th.

Since the republic's first BRL bonus offer, the Global BRL 2016, in Sep-05, the yield at issuances of these bonds followed a downward trend and hit its lowest level with this last issuance, as shown in the table below. This fact is particularly important when one observes that the Global BRL 2028 has significant longer tenure than the previous BRL bonds..

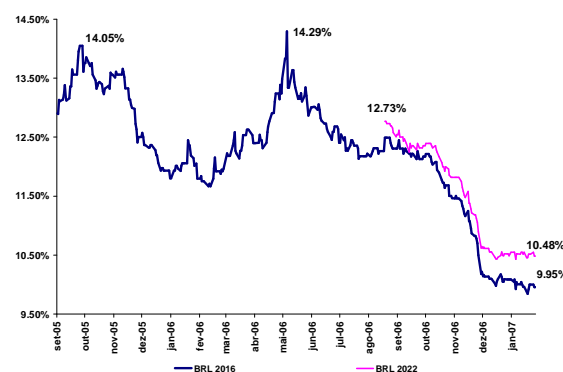
Local Currency Issuances

Operation	Issuance Date	Volume Issued (US\$ million)	Price (% of Face Value)	Yield
BRL 2016 (Issuance)	9/19/2005	1,500.0	98.636	12.750%
BRL 2022 (Issuance)	6/9/2006	743.0	97.563	12.875%
BRL 2022 (1st Reopening)	5/10/2006	301.0	100.250	12.466%
BRL 2022 (2nd Reopening)	4/12/2006	346.0	105.875	11.633%
BRL 2028 (Issuance)	7/2/2007	750.0	96.451	10.680%

Source: National Treasury

The good performance of the bonds denominated in local currency in the secondary market can be observed on the chart.

Globals BRL Performance



Source: National Treasury

The new bond, which is the longest term maturity, had a highly positive result in its issuance directly influenced by the current environment of the foreign investor, which can be expressed by the low levels of the country risk and the evaluation of Brazil in the main rating agencies.

At last, we highlight that the external issuances in local currency, besides reducing the external exposure to FX-rate fluctuations, they are fundamental to extending and building and

interest rate curve the would serve as a reference for local issuers also in the corporate side.

Source: STN/CODIP

Issuance Characteristics of Global BRL 2028, on 2/7/2007

Term	21 years
Maturity	1/10/2028
Interest coupon	10,25% per year
Issuance price	96,451% of face value
Yield	10,68% per year
Principal payment	Single payment at maturity
Interest payment	Semi-annual payments

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