

## BRAZIL REOPENS 20 YEAR BOND ON EXTERNAL MARKET

On May 10, the National Treasury reopened the Global BRL 2028 for the second time. This bond is denominated in real with a total value of R\$ 787.5 million. When added to the R\$ 2.25 billion sold in the original issuance in February of this year and the first reopening of the bond in the following month, the market total of this bond reached R\$ 3.037 billion.

Managed by the Deutsche Bank and HSBC, with BB Securities and Itaú Europa as co-managers, the issue price was set at 112.25% of face value, resulting in a yield of 8.938% per year. Investors will receive interest coupons of 10.25% per year with half-yearly payment on January 10 and July 10 of each year until maturity on January 10, 2028. Payment will be made in dollars at the average rate of exchange (PTAX) in effect three days prior to the due date.

### Issuance of Bonds of the Republic abroad in Real

Operation	Issuance Date	Volume Issued (R\$ million)	Benchmark maturity (years)	Yield
BRL 2016 (Issuance)	9/19/2005	3400	10	12.750%
BRL 2022 (Issuance)	6/9/2006	1600	15	12.875%
BRL 2022 (1 <sup>st</sup> Reopening)	5/10/2006	650	15	12.466%
BRL 2022 (2 <sup>nd</sup> Reopening)	4/12/2006	750	15	11.633%
BRL 2028 (Issuance)	7/2/2007	1500	20	10.680%
BRL 2028 (1 <sup>st</sup> Reopening)	3/20/2007	750	20	10.280%
BRL 2028 (2 <sup>nd</sup> Reopening)	5/10/2007	750	20	8.938%

This operation began on the American and European markets. Recognizing the possibility

of expanding its investor base, the National Treasury had the option of continuing its issues on the Asian market in specific volumes and at the same closing price as the first part of the issuance. As a result, R\$ 750 million were issued on the European and North American markets, together with R\$ 37.5 million on the Asian market, signaling the increased importance of the latter in the context of the external Federal Public Securities Debt – DPFs.

### Market Performance of BRLs



The rate of interest obtained in the operation was the lowest in the history of National Treasury issuance of fixed rate bonds. This fact indicates increased foreign investor confidence in the solidity of Brazilian economic fundamentals. This confidence has also been confirmed by other market agents, as demonstrated by the two upgrades received from important risk rating agencies between the opening date and settlement of this operation. The upgrades placed the Brazilian sovereign debt in foreign currency just one step away from investment grade.

Issuance has followed the guidelines set down in the Annual Borrowing Plan - PAF, which determine that DPFe management in 2007-2008 will be qualitative in nature, aimed at consolidating the external interest curve (in BRL and USD) through construction and maintenance of benchmarks in major security markets, while also expanding the investor base, with all of the associated benefits.

With this issue, the National Treasury has demonstrated its commitment to improving the forward interest rate structure for federal public securities, while enhancing its efficiency. Consequently, the Global 2028 has become the 20-year benchmark on the external interest

curve denominated in real, while also acting as benchmark for possible private sector funding operations.

One should also stress that, aside from reducing the country's exposure to exchange risk, external issuance in real is essential to constructing a benchmark external interest curve in local currency that, in turn, will aid in developing the domestic medium and long-term fixed rate curve.

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### Characteristics of the Reopening of Global 2028, on 05/10/2007

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Term	20 years
Maturity	01/10/2028
Interest coupon	10.25% per year
Issuance price	112.25% of face value
<i>Yield</i>	8.938% per year
Principal payment	single payment, at maturity
Interest payment	half-yearly payments

Source: National Treasury

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