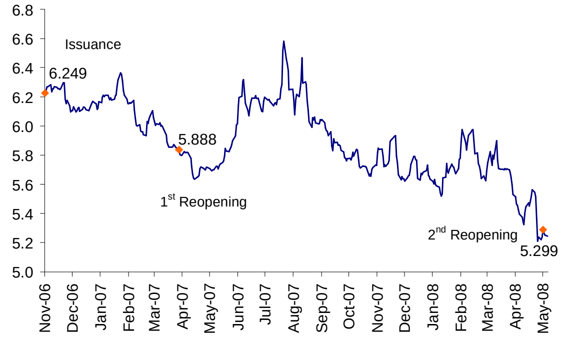
BRAZIL REOPENS GLOBAL 2017

The Brazilian National Treasury reopened, as of May 7th, the Global 2017, amounting USD 525 mn. This issuance, co-managed by *HSBC Securities Inc.* e *Deutsche Bank Securities Inc.* was priced at 104.816% of its face value, with a 5.299% p.y. yield. Coupon payments reaching 6.0% p.y. are to be paid every Jan-17th and Jul-17th up to maturity in January 2017. This operation had a 140 bps spread over the Feb-2018 US Treasury[1].

It can be highlighted that the demand was significantly superior to the subscription, which reflects great appetite for this security. It's worthy to note that the concession price regarding the secondary market was smaller than those practiced by a number of recent issuers. This is particularly important if the current external turmoil is taken into account.

This issuance yield (5.299% p.y.) corresponds to the lowest historical cost of Brazilian external issuances, showing uprising foreign investors' confidence in the Brazilian economy, even when the external outlook is relatively more uncertain than it was in the past.

Global 2017 (yield) Performance



Source: Brazilian National Treasury

Aiming at improving access to the Asian market, the Republic adopted, once again, the green shoe mechanism, already used back in 2007. With this strategy, the Brazilian National Treasury issues in a compatible time-framework within USA and EUR markets and can choose to extend the issuance in the Asian market with predetermined conditions.

Considering the reopening favorable conditions, this tap was extended, resulting in a USD 500 mn in US and European markets and extra USD 25 mn in Asia. When aggregated with the previous USD 2.025 bn outstanding from initial offering and first reopening, there is now USD 2.55 bn. outstanding for the Global 2017.

This operation follows the 2008 Annual Borrowing Plan (ABP) – in which the Federal Public Debt management seeks to qualitatively improve the external profile, in order to consolidate the external interest curve by setting efficient benchmark bonds.

With this issuance, the National Treasury reinforces its commitment in developing an

[1] Though this spread was higher than last 2017 issuance (122 bps), this result is important, as US Treasuries have declined significantly after recent FED sharp cuts in interest rates.

interest rate term structure to public federal securities, with improved liquidity, increasing their efficiency. Therefore, the Global 2017 stands as a 10-year benchmark for securities in the US Dollar-denominated curve and serve as reference for eventual private sector issuances.

Global 2017 Issuances Characteristics

Global 2017 Issuance, on 11/07/2006	
Tenure	10 years
Maturity	01/17/2017
Coupon	6.00% p.y.
Price	98.125% of face value
Yield	6.249% p.y.
Spread	159 bps
Principal	Single installment
Interest Payments	Semester
Global 2017 First Reopening, on 04/03/2007	
Tenure	10 years
Maturity	01/17/2017
Coupon	6.00% p.y
Price	100.796% of face value
Yield	5.888% p.y.
Spread	122 bps
Principal	Single installment
Interest Payments	Semester
Global 2017 Second Reopening, on 05/07/2008	
Tenure	10 years
Maturity	01/17/2017
Coupon	6.00% p.y
Price	104.816% of face value
Yield	5.299% p.y.
Spread	140 bps
Principal	Single installment
Interest Payments	Semester

Source:Brazilian National Treasury

This was the first issuance performed by the Republic after have receiving the investment grade by Standard & Poor's, in the end of Apr-08. By becoming investment grade, Brazil is now formally recognized by the international community as a member of a restricted group of countries whose economic policies are considered solid and responsibly conducted. Specifically, this upgrade reflects a consistent and positive performance in the external sector, predictability and resilience in the economic policies under a inflation target and floating FX-rate regimes, and substantial improvements in the public debt profile.

The investment grade allows better financing conditions, particularly by reducing issuance costs, to the public sector – public bonds demand are potentially increased by large institutional investors which are restricted to invest in investment grade countries. The private sector may be benefited as well, while sovereign ratings work as a reference for domestic companies risk assessment.

The improvement in the sovereign issuer rating, conceded during a turbulent international period, emphasizes the Brazilian position as one of the most important destinations of those who seek safety in their investments, reflecting good business opportunities and a stable institutional framework.

Brazils Historical Ratings[2]

Brazil	2003	2004	2005	2006	2007	2008
S & P	B+	BB-	BB-	BB	BB+	BBB-
Fitch	B+	BB-	BB-	BB	BB+	BB+
Moody's	B2	B1	Ba3	Ba2	Ba1	Ba1

Source: Rating Agencies

Public Debt Strategic Planning Department
Investors Relations
Staff:

Manager: André Proite
Deputy: Flávia Fernandes R. Barbosa
Fabio Guelfi Pereira
Fabricio Moura Moreira
Juliana Diniz Coelho
Leonardo Tavares Lameiro da Costa
Trainee: Helena Menezes

e-mail: **brazildebt@fazenda.gov.br**

[2] JCR and R&I Japan already rate Brazil as BBB-, while DBRS rates BB+.