

***BRAZIL REOPENED 15 YEAR BOND DENOMINATED IN LOCAL CURRENCY ON THE EXTERNAL MARKET.***

Last October 5, the National Treasury conducted a reopening of the Global BRL 2022 bonus. The operation involved issuance of R\$650 million, about US\$300 million, totaling R\$2.25 billion of that security in the market, when added to the R\$1.6 billion traded at the opening of the Bonus on September 6, 2006. The operation was settled on October 14, in the same day which Real (BRL currency) funds were deposited in the National Treasury single account.

The bonus was sold at 100.25% of its face value, yielding 12.466%. Each investor will receive a 12.50% interest coupons, paid half-yearly on January 5 and July 5 each year, denominated in US Dollars.

On the first Global BRL 2022 issuance, such security was sold at 97.563% of its face value, yielding 12.875% p.y.. Therefore, there was an increase in the bonus trading price in less than one month from its original opening, a token of good receptivity and demand from foreign investors on Brazilian sovereign securities denominated in BRL currency, since, when acquiring the security, investors relied on the stability of the Brazilian currency. Besides, both issuances (opening and reopening) took place during an election period, a time that, in the

past, was synonymous of extreme difficulty in gathering foreign capitals. This evidences the current maturity of market agents in segregating the strong Brazilian economic fundamentals and the political debate, thus avoiding contamination of economics by politics.

The bonus reopening, lead by Merrill Lynch and UBS, with the collaboration of banks Pactual and Itaú as co-managers, aimed at providing better liquidity in the secondary market, increasing the number of prospective investors. A positive aspect was the number of bookings received during the issuance, reaching 65 investors, and indicating a highly widespread security trading performance.

With this operation, the National Treasury strengthens the Global BRL 2022 as a benchmark in foreign interest curve denominated in domestic currency, which already included the 10 year Real-denominated security, the Global BRL 2016, issued on September 2005. By the same token, the fixed rate curve is lengthened, at a cost below the one offered in the domestic market, following the guideline of conducting qualitative issuances in the context of the Foreign Federal Public Debt for the 2007-2008 biennial.

Aspects of the Global BRL 2022 Reopening, on 10/5/2006

Term	15 years
Maturity	01/05/2022
Interest coupon	12.50% per year
Reopening price	100.25% of face value
Yield	12.466% per year
Principal payment	Single payment at maturity
Interest payment	Semi-annual payments

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