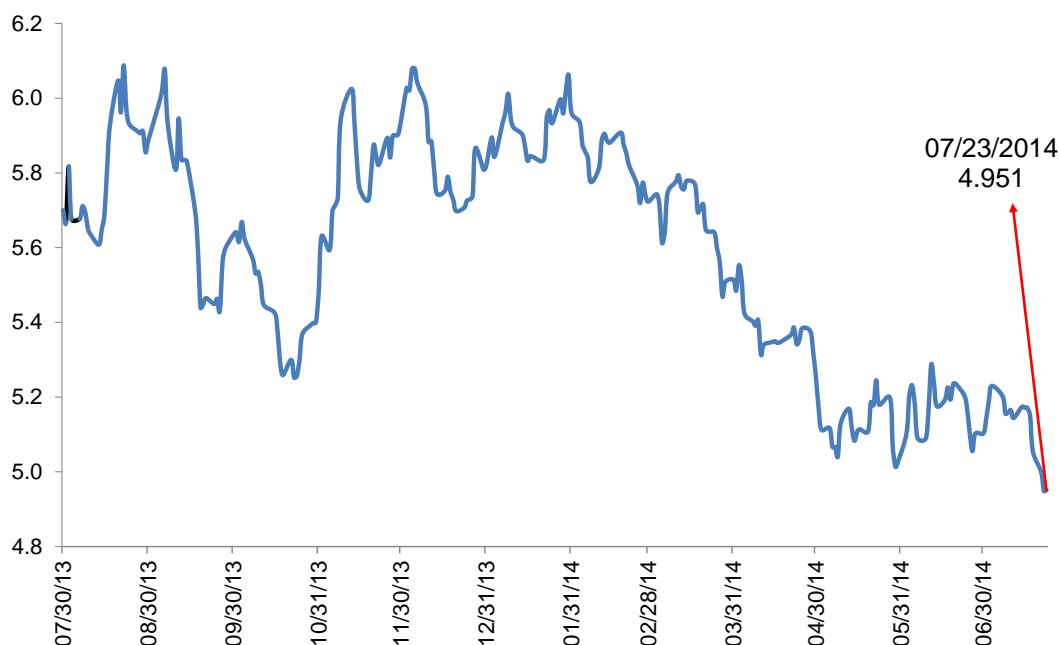




## **BRAZIL LAUNCHES A NEW 30-YEAR BENCHMARK IN A LIABILITY MANAGEMENT OPERATION IN THE EXTERNAL DEBT MARKET**

The National Treasury issued, on July 23rd, its new thirty-year benchmark denominated in US Dollars, the Global 2045. It amounted USD 3.55 bn, of which USD 3.5 bn in the European and North American markets and USD 50 mn in the Asian market<sup>1</sup>. The bond was priced in 97.992% of its face value, with a 5.131% p.y. yield. This rate was the second best in Brazilian history for a 30-year benchmark, exceeding only the rate of reopening of the Global 2041 in November 2011 (4.694% p.y.), demonstrating the country's ability to issue and refinance long-term debt at low cost. The timing chosen for the issuance was crucial to the success of the operation, as the previous 30-year reference (Global 2041) was trading at the lowest yield in the last 12 months.

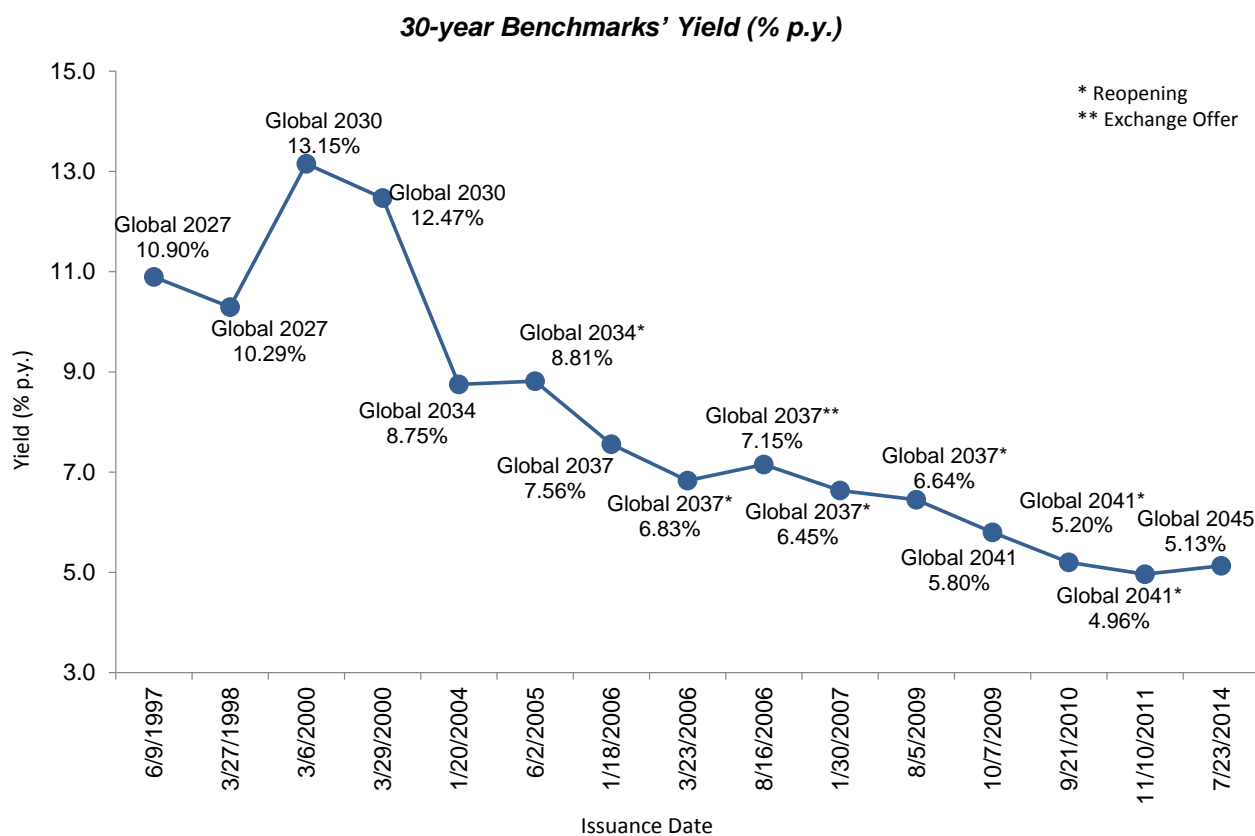
**Global 2041 Yield (% p.y.)**



Source: Bloomberg

<sup>1</sup> The so called greenshoe mechanism was used. According to this strategy, the Brazilian National Treasury launches the operation on a schedule compatible with the North American and European markets and reserves the right to extend the issuance in the Asian market at volume and predetermined conditions.

Coupon payments of 5.0% p.y. will be paid semi-annually every January 27<sup>th</sup> and July 27<sup>th</sup>, up to its maturity in January 2045. It is worth noting that this coupon is the lowest ever paid by Brazil for a 30y benchmark, reflecting the credibility of the Brazilian government with the external market. The transaction was led by Deutsche Bank, Itaú BBA and Merrill Lynch and had a 187.5 bps spread over the equivalent US Treasury.



Source: National Treasury

The transaction also included a liability management operation, allowing investors to sell eligible short-term debt securities back to the Brazilian Treasury. Investors were given the opportunity to exchange bonds already outstanding in the market for another more suited to government's current financing conditions. As seen below, the coupons paid by the securities repurchased by the government are higher compared to the new Global 2045.

**Securities Withdrawn with the External Debt Liability Management Operation (USD million)**

Security	Maturity	Coupon (%p.y.)	Repurchase - settlement with bonds (Notional)	Repurchase - settlement with cash (Notional)	Repurchase - settlement with bonds	Repurchase - settlement with cash	Remaining Outstanding
Global 2024	04/15/2024	8.875	1.30	0.04	1.84	0.06	1,144.34
Global 2024 B	04/15/2024	8.875	1.00	1.75	1.41	2.47	92.29
Global 2025	02/04/2025	8.75	19.35	60.08	27.35	84.91	964.08
Global 2027	05/15/2027	10.125	12.62	-	20.13	-	1,383.44
Global 2030	03/06/2030	12.25	19.36	5.11	36.00	9.50	441.98
Global 2034	01/20/2034	8.25	268.75	-	376.83	-	1,687.66
Global 2037	01/20/2037	7.125	798.51	0.30	1,023.96	0.38	2,071.50
Global 2041	01/07/2041	5.625	421.09	-	460.36	-	2,503.91
<b>Total</b>			<b>1,541.98</b>	<b>67.28</b>	<b>1,947.88</b>	<b>97.32</b>	<b>10,289.20</b>

Source: National Treasury<sup>2</sup>. Figures subject to revision after settlement.

Out of the USD 3.55 bn Global 2045 issued, USD 1.55 bn was settled in cash and approximately \$ 2 bn in exchange of bonds with maturities between 2024 and 2041. Additional USD 97 mn of these old securities were purchased using the cash received in the issuance.

At last, this issuance follows the guidelines taken by the National Treasury regarding the improvement of the external debt profile through the consolidation of the external yield curve in US Dollars by maintaining reference points (benchmarks). Besides improving the sovereign bonds curve, the creation and maintenance of well priced liquid securities serve as a reference for external operations for Brazilian private companies, increasing their possibilities of obtaining long-term funds at lower costs.

**Characteristics of the Global 2045 Issuance**

<b>Issuance date</b>	<b>07/23/2014</b>
Term	30 years
Maturity	01/27/2045
Interest coupon	5.00% p.y.
Issuance price	97.992% of face value
Yield	5.131% p.y.
Spread	187.5 bps over the US Treasury 2044
Principal payment	single payment, at maturity
Interest payment	semi-annual payments
Issued at Global Market	US\$ 3.5 bn
Issued at Asian Market	US\$ 50 mn
<b>Total Issued</b>	<b>US\$ 3.55 bn</b>

Source: National Treasury

<sup>2</sup> Codip/Gerex

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